Challenge
THE MAGAZINE OF ECONOMIC AFFAIRS

Vol. V No. 4
January 1957

Published by
INSTITUTE OF ECONOMIC AFFAIRS
NEW YORK UNIVERSITY

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CHALLENGE, The Magazine of Economic Affairs; Vol. V, No. 4; copyr.ght 1956 by Institute of Economic Affairs, New York University. Second-class mail privileges authorized at New York, N. Y. and additional entry at Rochester, N. H. Frequency of publication: monthly from October through May; bimonthly June through September (10 issues a year). Single copy: 20c. Subscription rates: 1 year, $2; 2 years, $3.50. Address all correspondence to CHALLENGE, 475 Fifth Avenue, New York 17, N. Y. Allow six weeks for change of address. Not responsible for loss or nonreturn of unsolicited manuscripts, art or photographs. CHALLENGE is issued and distributed by the Institute of Economic Affairs as a nonprofit, public educational and information service. The views expressed herein are those of the authors and the editors and not necessarily those of New York University. Printed in U.S.A.

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letters TO THE EDITOR

Cute and serious

•I have been reading CHALLENGE for the past year. May I challenge your sometime poignant "cuteness." For example, the Department of Better Mousetraps culls some wonderful ideas. As ideas these are cute. But there is no follow-up. One can do very little about investigating these interesting new products. You're cute enough not to offer even an indirect lead.

The CHALLENGE interview with Warren Weaver [October 1956] is another example. The interview quotes him as saying: "I think that any interested individual should acquaint himself with the material in the recent reports issued by the National Academy of Sciences." Then the interested reader is left completely flat, high and dry. No reference is made to the source, manner of obtaining, etc.

If you are going to take the responsibility of quoting Dr. Weaver, you might also assume sufficient empathy with the interested reader to list the sources he advises.

I like CHALLENGE; it keeps its seriousness to basic data.

M. B. RODNEY, M.D.
Schenectady, N. Y.

(Webster's dictionary defines cute as "clever, shrewd; and attractive by reason of daintiness or picturesqueness, as a child." Reader Rodney's well-taken criticism is, therefore, highly complimentary to any five-year-old, even a magazine like CHALLENGE. *We erred, however, in not indicating that the reports mentioned by Dr. Weaver were available from the National Academy of Sciences, Rockefeller Foundation, 49 West 49 Street, New York, N.Y. Our Mousetrap readers follow the lure of a better mousetrap and write us hundreds of letters every month requesting more information about the new items listed in this popular column.—Ed.)*

Mankind and Challenge

•I have unequivocal faith that mankind will continue to exist for eons to come, but I can only hope that enough people shall ponder over CHALLENGE before a remnant of humanity finds it necessary to begin again the agelong, arduous crawl to the material advantage it holds today.

It may not be important, but I believe that I would have been willing to pay my share of the extra cost of mailing the magazine in an envelope rather than receiving it unwrapped with a label gummed to the center of the front cover.

Enclosed are two gift subscriptions and my two-year renewal.

J. DAVID BECKLEY

Fairbury, Ill.

(CHALLENGE thought it could cut some financial corners by eliminating the envelopes, but many readers objected to the bedraggled appearance of the magazine once it reached their homes. CHALLENGE has returned to the envelopes. It is no saving when cost-cutting creates complaints.—Ed.)

Coast to coast

•I have enjoyed the few copies of your magazine which I have chanced to read and I like the scope and timeliness of the articles. My check for a two-year subscription is enclosed.

LEVERETT B. CURTIS

Allegany, Oreg.

•I am very pleased with CHALLENGE. I am sure that my first issue, going from hand to hand, will bring you many new subscribers. This is a very interesting and helpful magazine for people who take an interest in business. If it is possible please send me order cards so that I can distribute them to my friends.

WINIFRED MARTINEZ

Bronx, N.Y.

(Reader Martinez' request for order cards has been filled. CHALLENGE hopes other subscribers will follow suit: either by requesting order cards or by asking us to send sample copies to their friends.—Ed.)

Cornucopia?

•According to the press, this nation is an inexhaustible reservoir, a perpetual fountain of wealth. There is, therefore, nothing to worry about.

Sure, we took the people off direct relief and put them on the government payroll. We took the people off the land for over two decades and herded them into cities. We now have displaced peoples all over the land.

Instead of statistics, I will give you a better method of noting the health of the economy. Go on the streets and notice all the happy smiling faces. Go to any business or bank and notice that contented smile on their faces (not the business or professional smile). Notice the workmen smiling and singing.

CHARLES BIRING

West Plains, Mo.

Economics for peace

•As human beings vitally interested in halting the mad arms race between nations, we must seek a workable plan which would not require the force of arms or the surrender of any nation's sovereignty. Wars have never solved any problems but have created greater problems and caused tensions with attendant dislocations of our social order.

I would change the United Nations from a political entity to an economic entity. UN functions would be changed to facilitate trade between nations; act as a repository for atoms for peace; and advance loans for the development and reconstruction of backward nations. As a precondition for the loans, nations would be requested to reduce their armaments and use the savings to repay the loans.

Any nation refusing to join in these united efforts would be ostracized economically. Economic compulsion would be mightier than even the A-bomb or H-bomb.

BEN DICHTER

Flushing, N.Y.

a personal note

from the editor

the new year, new approaches; old problems for a new world

THE SIGNS are unmistakable now. The world of 1957 will be considerably different from what it has been during the past 300 years. There are men charged with the responsibility of running governments, from Peking to Washington, who are grappling with the meaning of new forces obviously shaping up at year's end. The struggle for power is as unrelenting as ever; yet the techniques and purposes of attaining dominion have become as unrelated to traditional methods and goals as the departure of 1956 is now irrevocable.

When Nikita Khrushchev recently repeated that old saw about history being on the side of the Communists, he revealed himself as a man torn between a creditable loyalty to a sense of history and an incredible disregard for the facts. He was crowing about the vestigial remains of a self-defeating British and French foreign policy, but his shrill sounds were not uttered in the dawn of a new era of communism but in the dusk settling on the Hungarian house of agony.

The world as Khrushchev knew it in 1956 is gone, and he can no more control the new forces which he helped to set in motion than England and France can maintain an identity with their past greatness. The new year of 1957 presents a clean slate, so to speak, and everyone must now try to make a fresh start. Those who have come out of the denouement of the pre-1957 world—and come out of it not so tied down by commitments to the past that they have preserved a certain freedom of action—will find it easier to accomodate themselves to a new era.

Which of the powers of the world have preserved such freedom of action? Certainly not England and France, whose weaknesses were never more nakedly apparent than when they attempted to strike down the transgressing Nasser, only to find that the atmosphere of the 20th century world had become so rarified that the arm raised in the gesture of punishment did not have the strength to land the blow.

Almost every condition that made it possible for Britain and France

to flourish can now be referred to in the past tense. Military might has proved too expensive to maintain. Their empires have been shattered and the lines of communication severed one by one. The values on which the British and French founded their greatness are neither appreciated nor understood in a large part of the world. In short, the two most important members of our Western alliance system are not all free to affect the shape of 1957. They are too busy trying to stay alive.

Is this, then, truly a manifestation of that decline of the West that Spengler spoke about? Or can we hope that the freedom of action that has been left to the United States will provide a Hegelian synthesis between the past of Western European civilization and the future that Khrushchev so frightfully proclaims belongs to his side.

Make no mistake about this: in spite of the vast criticisms leveled against our State Department, the United States has preserved its freedom of action. We are free to talk to the Arabs as friends. We are free at last of the taint of colonialism. We are free to participate in the shaping of any new policy, and we can be free-wheeling when it comes to identifying ourselves as a forward-looking nation which wants a livable future for all mankind. And, having preserved this amount of freedom, the United States has an opportunity to emerge as a great arbiter, to play Nehru's game without allowing the pendulum of neutrality to swing too far toward the Soviet orbit.

As for Khrushchev and company, these masterminds of Communist terror are weighted down by an anachronistic legacy of their own. The Russian Revolution a long time ago played out its role as an exposer of 19th century colonialism, 18th century capitalism and 17th century land-tenure systems. The Russian leadership today has adopted and become the slave of the very vices that the Revolution was supposed to eliminate. Russia today finds herself permanently committed to rule by terror wherever the disintegration of her Communist system is too rapid. The Kremlin has lost its initiative to negotiate a sensible settlement. Either the Communist system disintegrates rapidly, or it dies slowly under the strain of repressions.

Many would like to undo much of what was done in 1956. This is impossible. The die was cast, and already both friend and foe must count their losses. The question is, can the United States in 1957 start a new game with the stakes so reshaped and rearranged that everyone can find something worthy to hope for? It is good to know that we are still free enough to try.—H.B.

Challenge Notes

How chimpanzees react to money; economic and political predictions

DR. Roger T. Kellerher of Yerkes Laboratories of Primate Biology in Florida has been studying the reaction of chimpanzees to money. The results of his experiments should interest economists who worry about the decline of thrift in the "higher" species.

What Dr. Kellerher did was to train two chimps to work for "money" (poker chips) by pressing a lever. The "money" could then be used to buy food by putting the chips through a slot in a plexiglass window. When open, the window of this "Automat" would flash a red light.

The animals were paid on a time basis and also on a piece-work basis. On the time schedule, they would be paid after the first lever push following the end of a five-minute shift. But they were not permitted to spend their pay until the close of the hour. As might have been expected, not much work was done under these circumstances. The chimps would not give even one push during the five-minute period unless they were permitted to spend their pay more quickly.

On the piece-work schedule, it was a different story. Here, the chimps were paid after each twentieth push of the lever and could spend their pay immediately. Result: work proceeded at a fast and stable pace.

Dr. Kellerher refrains from drawing any conclusions from these experiments. The most ardent admirer of primate intelligence could hardly claim that the reactions of a lever-pulling chimpanzee could be used to explain the behavior of complex human beings. Most of us (so we think) work for such long-range goals as a college education for our children, a house, a carefree old age, etc. Certainly, immediate spending power is not as important a work incentive with us as it is with chimpanzees.

And yet, there are similarities. Most of us not only expect immediate reward, we need it to stay alive. Without quick and substantial rewards, very few of us would work as hard as we do. It was no chimpanzee who said that a bird in the hand is worth two in the bush. It was also no economist. On the basis of Dr. Keller-her's experiment, we suspect it was a psychologist.

Precarious predictions

MAKING business forecasts *(see p. 27)* is even more precarious than predicting the outcome of political elections—and that, as we all know, can be a pretty hazardous affair. Under our two-party system, an election involves just two possibilities: the voter may pick a Republican candidate or a Democratic one. Unfortunately for the economic forecaster, business decisions are never that clear-cut.

At this moment, for example, nobody can foretell the full impact of the Suez crisis on Western economies. While it does not take a professional economic seer to predict a severe fuel and power shortage for Western Europe—a shortage that is already crippling her industries and endangering her trade—nobody can be sure just how governments, businessmen, unions and consumers will react to this crisis. There are so many different ways in which they *may* react. Unlike a political election, the economic consequences of Suez do not depend upon a clear-cut choice between just two mutually exclusive alternatives.

If, as we have already started to do, we temporarily supply Western Europe with most of her oil requirements; if regular oil shipments from the Middle East can be restored within the next six months; if the governments of Western Europe—especially Great Britain—can successfully push an austerity program and cut "non-essential" imports from the U.S.; if European consumers forego their weekend automobile trips and refrain from hoarding; if the American taxpayer is willing to foot the bill for U.S. assistance, why then—and we have left out a lot of "ifs"—it would be safe to predict that the long run economic impact of the Suez crisis will be slight.

With so many imponderables, it is almost impossible for the forecaster to be right—for the right reasons. All he can do is assume certain conditions and base his prediction on these assumptions. And even then, he may be wrong. A forecaster's lot is not a happy one.—M.K.

Are we headed for more inflation?

by Jules Backman

ARE WE renewing the postwar inflation spiral? There are disturbing signs that we might be: the Consumer Price Index has been posting new highs; wage increases have been followed by price increases in steel, aluminum, coal and other basic industries; industrial prices generally have been creeping upward since mid-1955. With this background, the concern about a new price spiral is easily understandable.

Since 1939, the wholesale price level has risen by 130 per cent and retail prices have almost doubled, marking the first major upward adjustment in prices since 1920. Most of this rise resulted from two broad upward movements of prices. The first, from 1939 to 1948, reflected the impact of World War II. A second rise started just before the Korean war and was accelerated by scare buying during the early months of that conflict. This rise ended in 1951-52.

Wholesale prices recorded relatively little change until the middle of 1955. A new rise of about four per cent has since taken place. Retail prices, which usually lag behind wholesale prices, showed little change through the spring of 1956 but have risen two per cent in recent months.

Does this latest rise in prices portend a third phase of the postwar inflationary price spiral? I do not think so, for the forces which made for earlier periods of inflation are no longer operative in the economy.

The rise in prices during World War II and the early postwar period was the result of large fed-

eral government budgetary deficits, the accompanying tremendous expansion in bank credit and the shortage of goods. During the 1940 to 1946 period, the federal government was in the red by more than 200 billion dollars. A good part of this deficit, some 75 billion dollars, was financed by the sale of government bonds to the commercial banks. As a result of this large expansion of government bond holdings, the demand deposits of the banks increased by a similar amount—to about three times the prewar total. Here was the primary source of inflation during World War II and the postwar period.

What is the situation today? The federal government cash budget during the 1955-56 fiscal year had a surplus of close to five billion dollars. During the current fiscal year, the cash budget also will be in the black. This is the reverse of the situation that prevailed during World War II. In fact, the federal budget is now *deflationary*, not inflationary.

And what has been happening to bank credit and money supply? From August 1955 to August 1956, demand deposits—the main source of money supply—increased less than one per cent. There was only a nominal rise in currency in circulation, less than the long-term annual rate of growth of three per cent in the economy. Clearly, new money supply has not contributed to an inflationary impetus during the latest period of price rises.

Jules Backman is Professor of Economics at the School of Commerce, Accounts and Finance, New York University.

Fed watching credit closely

Bank loans to finance inventories and business expansion have risen sharply, however. The banks obtained most of these loan funds by selling their investments, particularly government bonds. The result was that on balance there was only a small rise in money supply. This again was the reverse of the World War II inflationary situation. But while total deposits have shown little change, they have been used more frequently, reflecting the great increase in the number of loans. One indication of the increase is the eight per cent rise in the volume of checks drawn.

The Federal Reserve System has been watching this credit situation closely and has acted to make credit more costly as the demand for credit has risen. The discount rate has been increased six times, from 1.5 per cent to three per cent, since the spring of 1955. The Federal Reserve System has indicated its firm intention to combat an inflationary expansion in credit. Should a sharp rise in

prices appear imminent, it seems certain that the Federal Reserve System will tighten the credit screw still further. It has underlined this intention by sticking to its guns during an election year.

It appears, therefore, that the fundamental sources of inflation —unbalanced federal budgets and large-scale increases in money supply—are not present in our economy today. Currently, these forces are either neutral or deflationary. They have provided no impetus to the rise in prices which has taken place in the past year and a half.

Straw in the wind

Another very important straw in the wind is the movement of sensitive wholesale prices. Included in this category are items like steel, lead and copper scrap, cotton, rubber, tin, hogs and other basic materials. Such prices usually reflect inflationary pressures in our economy very promptly. At the slightest hint of inflation, they move upward sharply. Past experience has shown that the general wholesale price index and the Consumer Price Index generally follow the movements of the Sensitive Wholesale Price Index, though not as sharply.

From 1939 through August 1945, the sensitive price index almost doubled as compared with increases of about one-third in the general level of wholesale prices and in retail prices. By 1948, the sensitive price index had increased to a level 264 per cent above prewar as compared with an increase of 112 per cent in the wholesale price level and 76 per cent in retail prices.

What has happened?

From June 1950 to February 1951, the sensitive price index rose more than 50 per cent as compared with an increase of only 16 per cent in the general wholesale price index and eight per cent in retail prices. When the substantial inflationary pressures anticipated as a result of the Korean war failed to take place, sensitive prices began to reverse their rise. In fact, currently, the index is only moderately higher than in 1950.

What has happened during the past year? From October 1955 to October 1956, the sensitive price index has risen only two per cent. This over-all change is a composite of some price decreases and some larger than average price increases. Nevertheless, the fact that this index has shown only a moderate average change provides significant evidence that the underlying inflationary pressures are relatively weak. Failure of these prices to rise sharply in recent months confirms the absence of new inflationary pres-

sures from monetary factors.

There has also been a modest price advance in recent months for farm products. However, much of this rise has been seasonal, particularly for fresh fruits and vegetables. There is little likelihood of a major upward movement in farm prices in the near future.

Shortages of materials

On the other hand, it is not unusual for industrial prices to rise during a boom. The record volume of construction and purchases of new machinery and equipment have meant shortages of some materials, particularly metals. It is not surprising, therefore, to find that the prices of metals and finished producers' goods, such as machinery, have risen more than other prices. This is the area which has experienced the most serious shortages of supplies and the one in which the pressures on prices, therefore, have been greatest. During the latter months of 1955, the rise in industrial prices was offset by the decline in agricultural prices so that the over-all indexes showed unimportant changes. However, in 1956, both groups of prices crept upward and led to increases in the over-all indexes.

The boom has been financed in part by the substantial volume of debt created in recent years. Thus, during the past year, mortgage debt has increased by about 12 billion dollars and consumer credit by about four billion dollars. In addition, there has been a tremendous upsurge in business spending for plant and equipment. In the fourth quarter of 1956, this type of spending was some 50 per cent higher than the level prevailing two years earlier. This tremendous expansion has been financed in part by the sale of corporate bonds and by borrowing from the banks. In recent months, however, the rate of increase in debt has been reduced, and the reduction has lessened the inflationary pressures that develop from the creation of excessive debt.

Labor costs are up

Because of the heavy borrowing, consumer and business spending have increased more rapidly than incomes, putting great pressures on available supplies and upon prices. This pressure has been aggravated temporarily because resources used to create capital equipment are not available for current consumption. At the same time, the money spent for such equipment is available for spending by consumers. As we move through 1957, the increase in the flow of goods from the newly erected plants will help to prevent inflationary price rises.

Labor costs have been rising steadily. The costs of wage in-

creases and various fringe benefits have increased more than output per man-hour. The result is pressure on prices from the cost side. However, not all of these cost increases have been passed on to the final consumer.

Railroad rate increases

National productivity increases about two per cent annually. Labor cost increases have been running much higher in the war and postwar period. For example, since 1939, railroad output per man-hour has risen anywhere from 53 per cent to 86 per cent, depending upon the method of measurement, but wage costs have increased by 190 per cent. These higher unit labor costs and other cost increases have resulted in persistent pressure for railroad rate increases. Other key industries have experienced similar developments.

It is sometimes alleged that price increases have resulted in large profits to corporations. Undoubtedly, there are some instances where this is true. Nevertheless, the annual rate of total corporation profits before taxes in the second quarter of 1956 was a little lower than in the third quarter of 1955. This decline is significant because of the price rises between the summer of 1955 and spring of 1956 and the three per cent increase in national income. In fact, total corporation profits before taxes were 12.7 per cent, a smaller percentage of national income after the price rise than the 13.3 per cent recorded in the third quarter of 1955. The U. S. Department of Commerce has noted "the absolute and relative decline in the corporate profit share." But during the same period, compensation of employees rose from 69.1 per cent to 70.0 per cent of national income. If corporations generally have been profiting from the recent price increases, the available data do not reflect these alleged gains.

Creeping price rise

All in all, we have been experiencing a creeping price rise associated with the pressures generated by a boom and by labor cost increases in excess of the gains in productivity. In an environment of expanding money supply and large-scale federal budgetary deficits, such a situation could lead to a significant inflationary price spiral. However, under present conditions, such a spiral is not likely. With a balanced federal budget, a less than long-term rate of increase in money supply and a vigilant, nonpolitical Federal Reserve Board, the modest price rise will *not* lead to a new inflationary spiral. It is more likely to result in some unemployment of labor and other resources if they are priced "out of the market." ■

AMERICA 1975
SERIES

Entertainment Via Mass Media

Although it will reinforce the conformist tendency of our times, it will be subject to the pressures of a public not cast in a single mold

by Gilbert Seldes

WE ARE accustomed to think of entertainment, even mass entertainment, as a highly personal matter. To speculate on the nature of the diversions that people will care for in 1975 seems, at first, like speculating on the kind of women men will fall in love with a generation from now.

To project the future course of entertainment on the basis of personal likes and dislikes is an exercise in fantasy. A more realistic approach would be, first, to isolate those elements which have actually altered the course of entertainment during the past 50 years and, then, to speculate on the power these elements will have, or lose, in the years ahead. Such imponderables—and unpredictables—as the occurrence of sheer genius must wait until the probable direction of the known forces has been plotted.

The nature of entertainment has been profoundly affected in the past 50 years by the interaction of economic change and technological innovation. For example, the eight-hour day, five-day week, in conjunction with the universal use of the motor car should have multiplied tenfold the activities of the theatrical road company. But the new leisure and the new mobility were turned, instead, to the advantage of another technological novelty—the motion picture. The automobile, again, accelerated the drift away from the metropolis; but electrification of suburban trains partly counteracted the disastrous effect this movement might have had on the living theater in big cities. The cost of theatrical production, an economic factor often rather hastily ascribed to unionization alone, has affected not only the number of plays pro-

duced, but their style as well. Thus, the multiset drama has given way to the single set. On the other hand, our income-tax laws have created a new support for the big musical show by way of the expense account.

A domestic utility

Varied and complex as these interrelations are, they do not adequately describe the great change that has taken place in our attitude toward entertainment since the "radio music box" (foretold under that name by David Sarnoff in 1916) entered the home and became a "domestic utility." While the kind of entertainment offered by radio and later by television resembled the minstrel show, the theater, the concert hall and the parlor game, the relation of the individual to his entertainment was totally new. It had ceased to be "a sometime thing," a reward for good behavior in children or a special treat for which adults set aside time and money. It became a part of the daily life, connected with today's news and tomorrow's shopping. The *right* to entertainment—an impossible concept in 1830—was well established by 1930. In the depression years that followed, when people could not go to the movies, sales of radio sets continued by the millions. The motion picture industry, coming belatedly to terms with technology, introduced sound too late to save itself from bankruptcy; but broadcasting easily weathered the storm.

Right now our entertainment is dominated by mass media. The one thing we can feel sure of is that the two factors that brought these media into being, leisure and technological change, will continue to operate. But we cannot be at all sure of their effect, or what form they will take. An increase in leisure may actually *diminish* the hold mass media now have on us, and technology, responding to new demands, may create more individualized forms of entertainment. The six-hour day might accelerate the spread of "do-it-yourself," and the four-day week will certainly add opportunities for hunting and fishing (to which faster and cheaper air transportation will contribute) and for other sports.

Still, it appears as if the mass media are here to stay, and that will mean a growing role for big business as the provider of mass entertainment. To use my own terms, the transition from the "lively arts" (considered in 1924 as aesthetic phenomena) to the "public arts" (considered in 1956 as social phenomena) is a change from a relatively small-budget and

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Gilbert Seldes is best known as author of two books, *The Seven Lively Arts* and *The Public Arts.*

highly individualistic form of entertainment to high-finance control over group productions. It seems improbable that this trend will be reversed in the major mass-entertainment industries. Less confidently, I foresee a growth of governmental regulation, particularly in the field of broadcasting.

The long-run effects

What effect will these conditions have on the actual entertainment offered to us in 1975?

The B-picture will disappear from the movie house, its place being taken by TV programs in the less desirable time-periods. Movie houses (excluding suburban drive-ins) will diminish in number until we approach a return to the original situation: the "downtown" house competing with the live theater.

For the downtown showcases, Hollywood will provide sizable pictures, and although some of them may render great classics in cinematic terms, I do not foresee any significant change, upward or down, in intellectual level or aesthetic quality. Under economic pressure, the live theater will discover cheaper production methods (as now practiced off-Broadway and outside of New York) for drama of a high order. But it will depend more and more on television for the financing of its lighter plays and musical shows. In radio, the special-purpose station—for popular and classical music, for the highbrow generally—will continue and probably increase. On the other hand, the commercial station will gradually disappear, first through dissolution of its ties to networks (which will also disappear) and then through a slow "withering on the vine."

These developments will place television in such a commanding position that greater demands will be made upon it. Moreover it will be feasible to satisfy these demands, because while the pressure will come from minorities looking for substitutes for the theater and the intelligent movie, these minorities will represent a considerable number of people.

The function of TV

Competition for commercial television will come from some form of pay-TV (which will certainly be authorized if television does not give more of its time to high quality programs than it now does) and from non-commercial "cultural" stations (which should, by 1975, have acquired skill in production and some comprehension of their function in a democratic society). Even without this competition, however, commercial television would continue to broaden its base during the next generation.

The reason for this continued

expansion is that the search for the lowest common denominator is approaching its end. Long before 1975 it will have been found, exploited and rendered useless as a base. Unless all the mass media together stupefy the vast majority of citizens (which is possible, but not inevitable), they will adjust themselves to the rise in the educational and cultural levels which will probably take place.

This does not mean that we shall all have the same kind of education or be equally able to profit by what we have; there will always be a relatively small number of well-educated people. But it does mean that the education gap will be so narrowed that the entertainment of the majority will not be without attraction for the others.

This is the limit of my optimism —and it will not seem an altogether pleasant prospect to those who, like myself, have lived in the atmosphere of books, intelligent newspapers and magazines, and the fermentation of ideas in the theater. These will survive, but I am not sure they will flourish.

Books-on-tape

We are the inheritors of the print-culture of several centuries, and it is hard for us to admit that the bound book, the "codex" form of the printed word, may *not* be literally the last word. By 1975, however, the book-on-tape may be as familiar as the recorded reading of poetry has come to be in the past few years. It is even possible that the cutting down of forests to make paper for foolish fiction may be looked on as a horrible waste.

Shakespeare, who wrote to be

Hang Your TV on a Hickory Limb

FROM a slow start eight years ago, the transistor, a tiny electronic substitute for the vacuum tube, is finally coming into its own. The transistor is not only small—about the size of a cough drop—it is also cool, since it uses far less current than a vacuum tube, and it has the further advantage of being rugged. Already in use in portable radios, Geiger counters and hearing aids, transistors are expected to be in wide use soon in such divergent products as car radios and remote-controlled toys. They may even make possible a truly portable television set that can be carried to the beach or picnic grounds, as radios are today. The first step will probably be a cool plug-in TV, obviating the difficulty of many current small sets in which heat sometimes blacks out the picture. In combination with transistors, either more compact batteries or a radically different picture tube, could bring us into the science-fiction world in which TV sets hang on the living room wall.

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played, will come to be played on tape rather than read. This cannot be considered wholly a loss, for his plays should repeatedly reach millions of people. I can foresee with equanimity the time when the text of a play will be as rare as the score of a symphony —an essential of production, not of consumption.

Perhaps observers of the course of mass entertainment in 1975 will only see the beginnings of these changes, not their complete fruition. They will see, I hope, changes in the actual quality of entertainment and the emergence of a new kind of talent able to attract vast numbers without gross compromises. This is observable now to a degree in painting, which continues to be resolutely individualistic while enormously enlarging its adherents, and also in music, where both popular and serious forms have steadily progressed in complexity.

Spirit of the times

These prophecies, of course, are not final. The popular arts of the present tend (but so far only *tend*) to render independent thought unnecessary, and in this they conform to the spirit of the times which considers independence dangerous. If this tendency continues unchecked, it will undermine not only the artist, but the scientist and the trained observer in economics, psychology and the other social sciences. While it will not destroy them, it will create an unthinking mass, blown by all the "winds of doctrine," and an intellectual elite unable to serve the commonalty from which it derives no substance. Thus the mass arts, a democratic creation, may destroy democracy.

One of the difficulties in the way of prophecy, and also one of the causes for pessimism, is that it is hard to imagine any great new competitor for the entertainments we already have. We shall have television, in color and with the illusion of depth, appearing on a panel on our walls, perhaps with light odors wafted over the airwaves. But the mechanisms of production are already technically satisfying. It is the uses to which these mechanisms will be put that remain in question.

The foundation of hope, however, lies in this: that the electronic culture in which we live is also a competitive culture and that it still demands flexibility and change. As long as change is possible, change for the better is possible. The mass media, even while they reinforce the conformist tendency of our time, are subject to the pressures of a public not cast in a single mold. They are still under compulsion to contribute to the preservation of a multistructured society. ■

AMERICA 1975

SERIES

Science in an Unfinished World

There is promise of great advances —if total war does not come along to sap our energies

by Watson Davis

SCIENCE and technology in the past half-century have changed our mode of life, our industries, our communications, our transport, our means of warfare and, to some extent, our outlook and understanding of the world.

But our world is unfinished. Despite important conquests of disease, despite the mechanical achievements that give us automobiles, airplanes and a million useful gadgets, despite the release of atomic energy, science has only scratched the surface. Many lines of progress in the future can be foreseen and predicted.

Progress has several important prerequisites. Sometimes the first step in progress is to recognize that a need or an opportunity exists. If poliomyelitis had remained undiagnosed, there never would have been the great public campaign that supported a research effort out of which came a successful vaccine.

Most of the potential progress we expect in 1975, however, presupposes a world that is not too disturbed by war and strife. Some scientific advances, like atomic energy, may seem to be accelerated by war, but progress cannot be made in a constant state of disorganization and chaos. Ferment and challenge are stimulating, but the innovators do not have time to create their wonders if they have to man the barricades either martially or economically.

The prime needs of the world, and of science, therefore, are peace and freedom. If we are to keep peace in our personalities, families, communities, nations and world, the mind and emotions that determine the behavior of the in-

dividual and masses of individuals must be understood. This may be the essence of peace, which history shows is one of the greatest of unknowns, worthy of the most intense and earnest scientific research. But we would be too bold to predict a complete solution in the near future of the problems involved in the conflicts between nations and between persons.

In the realm of the physical and biological, however, we can with more assurance attempt glimpses into the future. For new energy we can look to the sun and to atomic fusion power. Capturing the sun's energy, either by utilizing its direct radiation or by duplicating the photosynthesis process of a green leaf, is one of the great problems of the future. If it could be achieved, its historical importance would exceed the release of atomic energy and its already far-reaching effects.

At the moment, only a relatively small amount of research is going into the problem of artificial photosynthesis. Perhaps a dozen laboratories are intensively at work on the problem. Success may come by the discovery of a method of capturing the sun's energy through some chemical reaction which is not used by the green plant. Or it may be possible to uncover the complex mechanism of chemical transformations used in natural photosynthesis and duplicate, or perhaps simplify, it for industrial utilization.

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Algae for cattle

Before this knowledge is gained, however, we can expect to learn to make better and more frequent use of the heat of the sun. The sun's heat, captured by mirror-like devices, has been used to aircool houses, to heat water and cook food, and it can help run some kinds of factories. Sunshine will be used to grow algae for cattle feed and even for human fare. Solar mechanisms will be used to convert brackish or salt water into fresh, drinkable supplies for urban, industrial and irrigation uses.

There is real promise in fusion power, which harnesses the reaction in thermonuclear power, as against the splitting or fissioning of uranium in conventional atomic power. The materials needed for fusion power are deuterium (heavy hydrogen), relatively plentiful in the sea, and lithium, relatively plentiful in the earth's crust. Millions of degrees of heat are generated by fusion of these elements. Methods of control of such immense energy are confidently expected.

Scientists will continue to look further into the atom for more

power and for the means of understanding the world around us. The part of the universe lying within the atom is most mysterious and relatively unexplored. Among the protons, neutrons and other subatomic particles, the physical laws which govern larger objects do not seem to hold.

Study of cosmic rays is primarily aimed at understanding those laws controlling the forces within the cores, or nuclei, of atoms. Cosmic rays are created in the universe beyond the earth's stratosphere and smash into our atmosphere with tremendous energies capable of destroying atomic structures. We find this tremendous force difficult to cope with in even our largest atomic accelerators. To discover the secret of this energy, larger atom smashers—the cyclotrons, the synchrotons, the Cosmotron and the linear accelerators—are being built as an adjunct to our atomic energy program. Scientists do not know exactly what will be discovered, but they are sure that important new knowledge will come from within the atom.

Plebeian materials

There are some things on this globe that are essentially inexhaustible: sunlight and its energy; air, with its oxygen and nitrogen; sea water, rich in salts and magnesium; clay, from which we have not been able to extract economically the aluminum that it contains; coal, with its chemical storehouse of raw materials; sand, with its tightly held silicon, etc. Some of these plebeian materials, almost as free as the air we breathe, may in future decades be as valuable as the wastelands under which oil fields existed.

Chemical processes, powered by atomic or photosynthetic energy, can utilize these abundant raw materials to produce synthetic fibers, plastics, drugs, insecticides and almost everything industry and modern living demand. Amazingly interchangeable and fruitful as the application of chemistry has become, its future potentialities are even greater.

Far more complex than any of the chemical processes used in the ordinary factory or industry is the process of life itself. The living cell is the seat of life. An application of its protoplasm, and the complex chemicals which are contained within it, may explain the nature of life. The discovery of the structure of protein molecules may throw considerable light on the physical mechanism of life and living processes.

We do not know the cause of life or even the ultimate facts about the mechanism of heredity. Nevertheless, so much has been learned about plant and animal breeding and hybridization that

virtually new kinds of animals and plants have been created and will be created in the future.

Hybrid corn, for instance, has added many millions of dollars to the agricultural resources of the world. Animal breeding, such as in cattle for better milk and beef production, aided by the widespread use of the technique of artificial insemination, has brought astounding biological and economic results. Plants are bred to resist disease and withstand difficult environmental conditions. Microorganisms are even spawned to make them more deadly weapons for war.

Control of disease

Meanwhile, the medical saving of lives and the extension of the human life span will continue through new conquests of now rampant diseases. Despite many medical successes to date, there are vast unconquered areas in the world's health picture. Still uncontrolled are the degenerative diseases, such as cancer, heart and circulatory disorders, nephritis, arthritis, diseases of the respiratory system and ills of the brain. Our control of all the infectious diseases such as those caused by the viruses, including colds, infantile paralysis, etc., is also incomplete.

As we learn more about the nature of growth of cells, we shall come closer to the conquest of cancer. Less serious but more widespread is the common cold, which is actually an array of many diseases. The effective conquest of the common cold will be a long and difficult task.

The introduction of modern medicine and sanitation in some of the already overpopulated portions of the world has released the biological brakes naturally present upon population growth. The mere problem of numbers in the world's population is an extremely serious one. Every day there are some 70,000 more mouths at breakfast. There is, therefore, a gigantic race between food supplies and people.

There are two schools of thought about the ultimate outcome of this race. One group is confident that the world, through improved agriculture, can grow more food than all the people can possibly consume. This idea is most pleasing to some large sections of the world. The other group is in favor of limiting the number of human beings upon the face of the earth by various methods of birth control. Solutions developed by science and research to cope with the population problem are most difficult to apply.

Nature maintains a relatively even balance among the sexes of the human species. But the approximate 50-50 ratio among

males and females does not always exist in lower animals and plants. Search is under way along various lines attempting to influence the sex ratio in animals. The dairy industry would welcome a way of producing a predominant number of female calves that would grow up into good milk cows. Since the elements that control sex, the chromosomes, in the reproductive process are different for male and female, there is some chance of eventual success in this endeavor.

The nature of the universe is also one of our great and continuing problems which may take many more centuries to solve. In the next few years, image multipliers will increase the power of our giant telescopes a thousand times or more and may lead to an advance in our understanding of the mysteries of the universe.

In two decades experiments in the immensity of space and time may provide some answers to the eternal questions: From whence did we come? Where are we going? How old is the universe of time and space? Is there a beginning and an end? Are there other worlds than ours? Can we know them?

Science and technology are responsible to an amazing degree for the world in which we live. But, in another sense, the world's outstanding advances in physics, chemistry, biology, medicine and psychology have served dictators bent on conquest. This antisocial use of science and technology has neutralized the multifold benefits that have come to what we believe to be the more rational, more humane and civilized part of the globe. It is no ultimate gain to save a life through penicillin only to have it wiped out by atomic radiation.

Implicit in the dissemination of scientific knowledge is the belief that once the people know the truth it will not only keep them free but allow them to act intelligently in the conduct of their social and personal lives. If the deep emotions, the hidden motivations, the biological and psychological remnants of our heredity and environment are knowable and controllable within the realm of science, then we can have some confidence that the impact of science upon humanity, in 20 years, can mitigate the conflict and cruelty of man against man. ■

International Geophysical Survey

FOR a year and a half, beginning in July, scientists of 40 nations will conduct the most extensive look into the universe ever undertaken. Fields of study include meteorology, gravity, geomagnetism, cosmic rays, solar activity, rockets and oceanography.

Measuring the Cost of Living

by Jules Joskow

The government's Consumer Price Index cannot tell the whole story of the real changes which take place in the cost of living

LAST November the newspapers announced that as a result of the rise in the Consumer Price Index to a new high of 117.7, about 1,250,000 workers having escalator clauses in their contracts would immediately and automatically receive wage boosts of up to two cents an hour. Thus, the Price Index directly affects the wages of a large number of industrial workers. In addition, it is used in economic analysis to measure changes in the purchasing power of the consumer's dollar; and it plays an important role in the formulation of broad economic and social policy. In short, the Consumer Price Index is generally accepted as an indicator of the cost of living in the U.S. and has thus become an integral part of our economic reckoning.

But does this Price Index actually measure our cost of living? The Department of Labor in 1945 recognized that the Index had certain practical and theoretical limitations. Therefore it changed the official title of its statistical series from "Cost of Living Index" to "Consumer Price Index for Moderate Income Families in Large Cities," or "Consumer Price Index," for short.

As presently constituted, the Index seeks to measure the average monthly change in the prices of goods and services typically purchased by the families of city wage-earners and clerical workers. These goods and services include, food, clothing, house furnishings, fuel, the services of doctors and dentists, shelter, transportation, electricty and gas—the gamut of

things which such families ordinarily buy.

The first step in computing the current Index number was a Survey of Consumer Expenditures made in 1950 by the Bureau of Labor Statistics and other agencies. From the results of this survey a typical "market basket" was derived. Essentially this consists of the average number of units of all types of goods and services purchased during 1950 by the surveyed families of city wage-earners and clerical workers. Since such surveys are both extremely complex and costly, they are seldom made. In fact, there hasn't been a survey since 1950, and the one before that was back in 1935.

What does it cost?

Having determined the "market basket," the Bureau of Labor Statistics then went on to determine, on the basis of available price data, what the average cost of such a "basket" would have been during the period 1947-1949. The Consumer Price Index number itself expresses the percentage cost of the "basket" in any given month or other time period, as compared with the average in 1947-1949. When, therefore, we say that the CPI for October, 1956 was 117.7, this means that the *average* city wage-earner and clerical worker family had to pay 17.7 per cent more in that month than it would have paid in the 1947-1949 period for the "market basket" of goods and services as determined by the buying habits of 1950.

Despite the change in title from "Cost of Living" to "Consumer Price Index," it *does not,* and *cannot,* as presently constituted, measure changes in the real cost of living. But this has not prevented it from being used as if it could.

The fundamental problem here, as with so many economic concepts, lies in the gap between the theoretical definition of a concept and our statistical ability to measure what has been defined. Economists agree, in general, that a cost of living index is one which measures the relative change in the cost of goods and services which yields the consumer equivalent satisfaction for different time periods and geographical areas.

Unfortunately, however, we do not yet know how to measure and compare satisfactions for the whole complex of goods and services which makes up our total buying pattern. Consequently, in indexes like the CPI, we substitute for these satisfactions the unchanging quantities of the goods and services themselves — the "market basket."

Thus, when we assume that an

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index number is a measure of the change in the cost of the "market basket" purchased by the average consumer in 1950, we also assume that this identical "market basket" provides the same satisfactions to the average consumer today as in 1950. But this is seldom the case. It could happen only if the sole changing element in the given time period were the general level of prices. Observation, however, tells us that other relevant forces are also changing.

In the first place, prices do not all move in the same direction, or in the same relative degree. When prices move divergently, we must expect consumers to adjust their consumption patterns in order to maintain at least a given level of satisfaction. Under such circumstances a fixed market basket could hardly reflect fixed levels of satisfaction. To illustrate: if both sirloin steak and pork are included in the market basket, and the price of steak rises while that of pork remains constant, consumers will then buy less steak and more pork in proportions which they believe will yield them equivalent satisfactions. If not, we should have to assume that no rational consumer would buy less steak and more of an alternative product like pork. An index number that persists, in the face of this fact, in weighting sirloin prices by the amounts purchased originally, that is in 1950, will overstate the true rise in the cost of living.

But, regardless of prices, consumers' tastes tend to change. New products, the pressures of advertising and the spread of education all produce changes in patterns of living. Today the telephone is an obvious component of the urban consumer's market basket; it could hardly have been so in 1890. Changes in environment, whether seasonal, geographical or social, will also affect the consumer's market basket and thereby invalidate its use as a measure of changing living costs.

This list of limitations is not intended to detract from the infinite care exercised by the Bureau of Labor Statistics in the sample design, data collection and computation required for the final index. Nevertheless, our analysis certainly indicates that the Consumer Price Index is not and cannot be a true cost of living index.

Charts broad trends

How inadequate the index is depends, of course, upon the use to which it is put. Despite its shortcomings, the CPI can be useful if one wishes to indicate broad trends in the cost of living or to compare the general level of the cost of living at different times. The practice, however, seems to indicate that it has been used in

this. For today the wage rates of millions of workers in the United States are specifically tied to fluctuations in this index, under the implicit assumption that in this manner wages will at least be forced to keep pace with changes in the cost of living.

Apart from the serious economic problems raised by such procedure—its potential inflationary or deflationary effects—statistical problems are also involved.

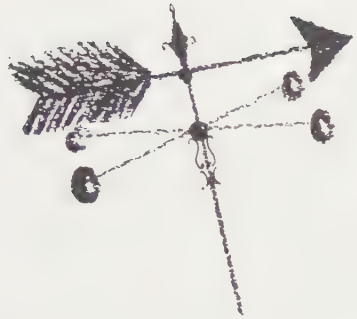
First, the adjustments made through the use of the index are not accurate cost of living adjustments, but only approximations. Hence, we are never certain how much, if any, of a change in the index is caused by a true change in the cost of living. If it overstates the change, management pays for the error in larger wage bills, or labor pays in lower earnings, depending upon the direction and the size of the error.

Second, the CPI replaces family, occupational and regional variations in consumption patterns by a single average pattern. In so doing, when the national CPI is applied to the auto worker's wage in, say, Flint, Michigan, no account is taken of the fact that his consumption pattern differs from the average because he typically spends a higher proportion of his income on clothing than does a worker in Atlanta; or that less of his income must go for transportation than it would if he were in Los Angeles; or that his rent costs are higher than they would be in Boston; or that he typically carries his lunch to work whereas a clerical worker ordinarily does not; or, for that matter, that he, as an individual, lives differently from other people, either through design or circumstance.

Obviously, it is impossible to compute a separate index for every family in the United States. Yet, if we are to persist in using the device as a wage adjuster, it seems evident that every effort must be made to obtain indexes more directly related to the consumption patterns of the groups to which the index is applied.

For instance, the consumption pattern of wage-earners might very usefully be separated from that of salaried workers, specific indexes being computed for each. Indexes might be computed on a regional basis as well as on the present limited city basis. Indexes based on typical consumption patterns of workers attached to those industries in which escalator clauses have found their widest uses are called for.

Computing such indexes will not eliminate the basic difficulty—the use of fixed market baskets; it will only alleviate it. The long-run solution lies in learning how to measure and equate satisfactions. ■



Economic Forecasting

It is as tough as predicting the weather, but with improved economic measuring devices, prognosticators now come closer to the mark

THE forecasting fraternity triumphed in 1956, not only in politics but in economics. The underlying trend of business activity during 1956 turned out very much as the majority of economic forecasters predicted late in 1955.

Their prognostications were even better than they were the year before when most of the analysts foresaw the general economic uptrend but underestimated the strength of the trend.

This record over the past two years has heartened economists. It has revealed that forecasting techniques—and the skills and training of forecasters—have improved considerably over what they were ten years ago. Yet the record has not blinded economists to the fact that forecasting is still an extremely hazardous occupation, made so by the guesswork that is involved in any prediction. The guesswork is necessary to round out the picture which as yet incomplete statistics only partially describe. At the same time, forecasters do not fully understand the functioning and interaction of the economic system's related parts.

Any close examination of the consensus of forecasters over the past two years, as compared with the actualities of business conditions in the same period, is bound to reveal just how risky it is to climb out on a limb. Such an examination should also point out how some of the riskiness in forecasting can be eliminated.

At the end of 1955, the short-term business outlook was somewhat clearer than it usually is. During 1955, a substantial reservoir of future demand had been built up in inventory and in capital goods. The size and shape of these reserviors were apparent in the low ratios of inventory to sales

throughout the industrial sector, in the high and growing backlogs of orders in capital goods industries, and in the expressed intentions of businessmen to accelerate their spending for new plant and equipment.

At the same time, the volume of automobile sales in 1955 had obviously swelled to abnormal proportions—reflected in the largest increase in instalment debt on record—and some decline in 1956 seemed certain. Similarly, housing starts, which had enjoyed a forced blooming as a result of the very easy financing allowed by the Housing Act of 1954, declined as long-term mortgage funds began to dry up during late 1955, and a further decline appeared probable in 1956.

A rolling readjustment

Mainly on the basis of these four trends, forecasters predicted a "rolling readjustment" for 1956, with total activity moving slowly upward as a result of long-term growth in personal spending on soft goods and services, and in state and local government outlays. The typical first-half forecast called for a Gross National Product of between 400 and 405 billion dollars annually for the first six months of the year—extremely close to the actual result.

There was a wider disparity in the outlook for the second half of 1956, ranging from further slow advance to recession. Those who foresaw recession believed that demand for capital goods would exhaust itself by mid-year and, together with the existing weakness in consumer durables, would lead to a general inventory liquidation in the second half, thus setting off a general recession.

These forecasts assumed that reservoirs of business demand for plant, equipment and inventory would be drained before recovery began in consumer durables and housing. Other forecasts, which predicted continued slow growth of business activity in the last half, foresaw no change in economic conditions from the first to the second half of 1956.

Of the two, it is hard to say which forecast proved more accurate. True, the Gross National Product in the last half of 1956 has averaged higher than the more optimistic forecasts predicted—partly because of higher prices. On the other hand, the decline in automobile production and in housing starts was considerably steeper than had been expected.

In fact, before mid-year, many of the symptoms of impending recession developed. Had it not been for the sudden clearance of

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CHALLENGE staff members prepared this article after careful analysis of the various methods and results of economic forecasting.

inventories in durable goods industries during the mid-year steel strike, recessionary influences might well have dominated the business scene in the last half of 1956. As a result, many forecasters took another look at what they had predicted for the last half of the year. Then they decided there would be a "plateau" early in the second half, followed by an uptrend at year-end. The revised estimates bore a very creditable resemblance to the actual facts.

Insight and error

A combination of insight and error, therefore, accounted for the relatively accurate projections. Forecasters are not happy about the errors and, for the sake of their future projections, are examining the possible areas in which mistaken judgments and interpretations may occur. Eight such areas were revealed in the past two years:

•The accuracy of the annual forecasts depended to a considerable degree on the trends existing at year-end. To some extent the success of the 1955 forecast can be attributed to the probability that trends existing in late 1954 would continue for some time. An annual forecast would have been much more difficult, and probably much less accurate, if it had been undertaken at a time (such as mid-1954) when business conditions had no visible net direction.

•The annual forecasts were reasonably accurate for the first six months, but were off considerably during the second half. As the forecaster well knows, his batting average declines when the forecast range is extended, a fact which accounts for the general vagueness of most forecasts beyond the first six months.

•A significant proportion of analysts forecast a turning point in mid-1955, and again in mid-1956. But the statistical devices they used—the so-called "leading indicators," and the "diffusion indexes"—behaved erratically. They ominously pointed downward during most of late 1955 and early 1956. Since no downturn materialized, these devices obviously are not especially reliable as forecasting tools.

•The increasing stability in business conditions themselves has not simplified the forecaster's job. Certainly, 1955 was an unstable year, in the sense that the machinery of the business cycle swelled and heaped together the volume of business activity. And in 1956, the aggregate business trend was composed of sharply diverse movements which largely counterbalanced each other. It would be dangerous for forecasters to count on such balancing in the future.

•Forecasters, in the past two

years, have generally understated the long-term effect of American economic growth. This failure to take into account gradual growth is apparent in the underestimation of the 1955 boom and the overestimation of the leveling off in 1956.

•Annual forecasts are still based largely on analysis of the most recent past. Business activity, however, reflects not only the recent past, but a more distant past. Future forecasts will be subject to very substantial error unless they also take into account the long-term cycle. Forecasting material, therefore, must include studies covering the intermediate forces affecting business conditions—the broad cycles in residential construction, capital goods demand and consumer durables demand.

Price forecasting difficult

This aspect of forecasting obviously requires greater attention than it has received in the past several years. To take one example, the level of installment debt and its relationship to personal income is not given any considerable weight in the usual annual forecast of gross national product. But any forecast which now writes off that level of debt, rather than inject it as an element in the forecast, is overlooking a possible major source of error.

•It has been the practice in recent years to segregate price forecasting from the forecasting of general business trends by dealing with the future in terms of "constant" prices. There is some evidence that the direction of prices must now be reinstated as an important variable affecting the trend of business activity. Price forecasting is a notoriously difficult aspect of general business forecasting, but failure to predict price trends may lead to mistakes in quantity forecasts.

•Many of the errors in the 1955 and 1956 forecasts reflected difficulties in handling such unforeseeable factors as strikes (steel in 1956), the introduction of new models (automobiles in 1955) and changes in the relationship of government to business conditions (the Housing Act of 1954 and Federal Reserve credit policy in 1955 and 1956). While these changes in the business environment lie partly outside the forecaster's range of evidence, they are becoming an increasingly important element in the business trend.

Yet the value of the annual forecasts and statistical predictions now being compiled by public and private sources is unquestioned. Future forecasts will retain their value as long as they come as close to the mark as they did in 1955 and 1956. ■

The increasing productivity of peoples with whom we normally trade creates

Changing PATTERNS of Trade

by Don D. Humphrey

BUILDING a durable basis for world trade after the vast disorder created by World War II has proved a more persistent problem than rebuilding the industries of wartorn Europe and Japan. The gap between strategic trade objectives and tactical trading practices is considerable.

Although the peoples of the world want to buy more goods from the United States with each succeeding year, American exports, in their turn, are still widely discriminated against by quotas, exchange controls and other restrictions. This discrimination is intended to conserve dollars for more essential imports; yet dollar reserves remain low because prospective traders find they cannot build substantial export markets in the United States—an inability due only in part to American tariff restrictions. At the center of the persistent disorder in world trade is the formidable task that most countries face in getting their costs down to levels competitive with American costs of production.

The pattern of world trade has been undergoing a steady change due to the revolution in technology since World War II. Manmade fibers and synthetic rubber are displacing natural fibers and rubber. Plastics are taking over in many instances where metals and leather were once supreme. Less dramatic but equally significant is the increase in output per man-hour, not only in the United States but in some other areas of the world which have thereby enhanced the export potential of their goods. Unavoidably, there has taken place a vast shift in the geographical structure of United States imports, with larger shares originating in North and South America and less and less originating in Europe and Asia.

At the same time, there is a growing impression that whereas American imports used to be pre-

dominantly the products of labor-intensive industries (with relatively less investment per worker), they are becoming higher-priced and more capital-intensive in character. Even Japan, traditionally associated with the export of cheap products produced by cheap labor, is said to be concentrating today on quality lines of textiles and cameras.

The association of quality products with capital-intensive production and cheap products with labor-intensive production involves confusion. Capital-intensive refers to a relatively large investment per worker, and not necessarily to the price or quality of the product. Hand-blown glassware, for example, is more highly labor-intensive than the machine-made wares. But the hand-blown product is also unmistakably of better quality and bears a higher price.

Capital-intensive prototype

Because the United States is the prototype of a capital-intensive production economy, it has been supposed that she undoubtedly has a price advantage in those industries that need large investments of capital per worker; and, conversely, that other countries with a large supply of cheap labor have a distinct advantage in the labor-intensive industries. Such suppositions have given rise to the familiar argument in favor of protective tariffs: because of the higher wages of the American worker, the United States cannot compete in the labor-intensive industries with cheap foreign labor.

The trouble with all this is that the distinction between capital and labor-intensive products is too narrow and does not take into account the influence of know-how, the availability of natural resources, and the level of education and skill of the labor force. In this fuller context, the protectionist argument is untenable because many labor-intensive industries in the United States do not need protection. The comparative advantage of our export industries is based predominantly on higher productivity rather than higher investment per worker. The high or low productivity of labor is not necessarily a concomitant of capital or labor-intensive production. The cheap labor of other countries can offer a competitive advantage only if the difference in wage rates offsets the difference in productivity.

The largest increase of any broad category of manufactured imports into this country has been that of automobiles and machinery —a twenty-five-fold increase above

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prewar levels. But this does not mean that the American automobile and machinery industries are suffering a competitive disadvantage. Automobiles and machinery comprise our largest category of exports as well, accounting for 35 per cent of the total. Yet, these are products of moderately labor-intensive industries.

A pattern develops

The capital investment per worker is much lower in the American machinery industries than in petroleum, primary non-ferrous metals and pulp mills. American agriculture also has a high capital investment per worker. Yet, the great bulk of our imports is concentrated in a few commodity groups — agricultural, forest (newsprint and wood pulp) and mineral products. Thus, we exchange automobiles and machinery for primary products, representing the trade of labor-intensive exports for imports that would be capital-intensive if produced at home. This pattern develops from the need to supplement our own natural resources and is made possible by the higher productivity of American labor rather than by the difference in investment per worker betwen primary production and manufacturing.

The striking fact about our foreign trade is the success of domestic manufacturers in exporting comparatively labor-intensive products while paying wages generally three to eight times higher than their foreign competitors. In manufacturing, with but few exceptions our exports of labor-intensive products as well as of capital-intensive products exceed our imports.

The largest of domestic industries often regarded as dependent on tariff protection is our textile industry. Yet, both cotton and woolen manufacturers have given a good account of themselves in spite of substantial tariff reductions. Textiles continue to suffer more from domestic competition than from foreign. Chief among their problems is a large number of marginal firms, the rise of artificial fibers, and the pressure of wage increases brought about by the automobile, steel and the other dynamic industries.

The cotton situation

Although imports of cotton goods rose sharply in 1955, they still amount to less than two per cent of domestic production. Exports continue to be much larger than imports, and the Tariff Commission is watching very closely for any acute dislocation that might result from a sharp increa e of imports of Japanese velveteens, ginghams and blouses. Domestic producers are now able to buy raw cotton for manufacture into ex-

ports at the same subsidized price at which it is sold to foreign competitors.

Domestic production of woolens and worsteds has now declined to prewar levels, and increasing imports have now reached five or six per cent of the domestic total. The Trade Agreement Program provides a safety clause which has withdrawn tariff concessions on imports above this level. The industry has adjusted to rising costs and falling demand through labor-saving innovations, by some shifts to the South where costs are lower, and by mergers that combine woolen, cotton and synthetic fiber mills under common management.

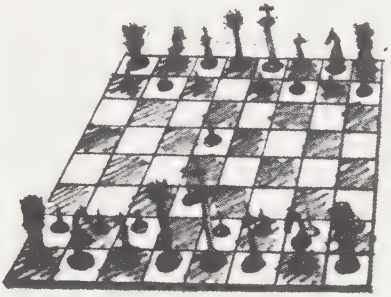
The 75 per cent average reduction in our tariff since 1934 has produced no flood of imports; nor has any large American industry been seriously injured. The important thing to recognize is that our volume of exports will increase if we expand the volume of our imports. The policies governing the volume and pattern of world trade are best viewed in terms of the competition that exists among domestic industries for labor and other resources. A sound general rule to follow is that no industry is entitled to protection in order to expand at the expense of competing industries that could otherwise use the same resources to produce goods and services of greater value. In short, why give special privileges to someone to do something if somebody else can do it better? Ideally, such logic should determine the course of who exports or imports what.

To this end, our present policy of tariff reduction can be improved in two ways. First, selective tariff reduction should distinguish between rapidly growing industries and those with relatively stagnant or declining employment. Machinery and chemicals, for example, can adjust more readily to freer trade than woolens and cottons. Second, we should limit the rate at which imports are permitted to increase. A major part of the domestic hardship stemming from a policy of freer trade is due to a sudden increase of imports at precisely a time when a competing domestic industry is in the throes of other dislocations inevitable in a growing economy.

Tariff making should take into account the timing and pace of adjustments. By establishing the maximum rate at which imports are permitted to increase, it should be possible to avoid raising tariffs again, once they have been lowered. By eliminating the threat that imports may be restricted, while at the same time protecting domestic industries against sudden losses, we might look forward to the orderly expansion of mutually profitable trade. ■

In international politics, as in all cases of bargaining for power, the ability to win objectives is not always with the stronger

Bargaining from Strength and Weakness



by T. C. Schelling

BARGAINING power, bargaining strength, bargaining skill—these are the terms used to describe the elements of advantage in any bargaining procedure. They remind us that the strong can bully the weak, the large can envelop the small and the clever can confound the clumsy. Thus, the big, the strong, the clever, the rich, the well-organized win over their opponents because of their bargaining advantage.

But is this really true?

Why do parents have to give in to small children? Why does the rich client try to hide his wealth? Why do small countries often get a free ride in a military alliance, and weak and disorganized countries receive aid from abroad while those that have the power to discipline themselves tighten their own belts? Why is it the successful member of the family on whom the poor relatives sponge, or the rich whose children are kidnapped? Why is it that civic duties fall on the reluctant "volunteers" whose misfortunes reside solely in their possession of talent? Why does the complacent possessor of a weak back sit and read, while everybody else moves furniture?

"Power" is not always an advantage. Often it represents only the power to concede—the power to do what others demand. It may be only the power to take costly or painful action to avert a greater disaster that others are powerless to prevent. It may be a conspicuous ability to pay for favors that would otherwise come free, or to meet the demands of blackmail. When two cars meet at an intersection, one going slowly and the other too fast to stop, it is the driver who *can* stop who must

stop and does so, while the other coasts through on his recognized inability to do anything about preventing a collision.

This paradox—that what is "strength" by ordinary standards may be a weakness in bargaining—not only is essential to an understanding of bargaining; it contains a tactical suggestion as well. It suggests that one may strengthen his bargaining position by shedding some of his strength before joining the game. The parent is in a stronger position if he can demonstrate that there is no candy in the house; the reluctant volunteer finds safety in a "prior engagement;" and the driver of the payroll truck gets immunity from the sign that says, "Alarm and lock system not subject to driver's control."

The Formosa Resolution

Bargaining behavior that might otherwise seem irrational looks quite sensible under the light of our paradox. Take wage bargaining, for example: have there not been instances in which the union attached so much prestige to its demands that it literally destroyed its own power to make concessions? How often have union spokesmen, particularly in the days of looser organization and discipline than now prevail, capitalized on their inability to force the rank and file to accept much less than the initial demands, even when it was the spokesmen themselves who deliberately stirred up the excitement that destroyed the discipline?

What was the "Formosa Resolution," passed by the Congress at the President's request, but a means of actually increasing the potential embarrassment to the United States of any withdrawal from Formosa—of getting us so committed that we had not the power to withdraw, and doing it in a manner that the Chinese Communists could not help but appreciate. What, indeed, was the reason for stationing a comparatively small force of American troops in the middle of Western Europe when the NATO program was just getting under way? To reduce our own ability to avoid being in a war if war should come to Western Europe? To tie our own hands in advance so conspicuously and unmistakably that we lacked the power to concede Europe without a fight?

The essence of these tactics is a voluntary but irreversible sacrifice of freedom of choice. The same kind of thing is accomplished when negotiations are left in the hands of an agent whose authority to make major concessions is visibly limited. When the Chinese

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Reds met with our representatives in Geneva, for example, part of our bargaining strength lay in the fact that Reds knew our representatives were not empowered to make any major concessions (such as recognition) in return for release of American prisoners of war. Of course, this tactic risks making agreement impossible if it overshoots the mark. Perhaps the frequency with which international negotiations result in stalemate reflects the excessive use of this tactic by both sides, both being committed to incompatible positions beforehand.

Two different situations

In the ordinary kind of bargaining that takes place between buyer and seller, either party has the option of "no sale," of refusing to strike a bargain at all; and the worst that can be forced on any one of the parties concerned is a price at which he is indifferent to whether a bargain is reached or not. But where threats might be used to induce a settlement, that is a wholly different situation. To threaten to strike unless union demands are met, or to retaliate massively against small aggressions, or to start a price war if a maverick competitor does not toe the line, implies that the threatener is treading on soft ground and really would prefer not to get involved—except that he may be stuck with his threat and obliged to fulfill it.

But to say that he really would prefer *not to carry out* his threat does not mean that he has no incentive *to make* it. A threat that succeeds in bringing about what the threatener wishes does not have to be carried out. Hitler's threat of precipitating a World War, if his occupation of Czechoslovakia were interfered with, resulted in an agreement (Munich) which satisfied all his demands on the Czech state without war.

The more freedom a threatener has to carry out or not carry out his threat, the less bargaining power, in a sense, does he have. When Russia recently coupled a demand that England withdraw from Suez with a threat that Russian rockets *could* be dropped on English soil, nobody took her seriously, i.e., nobody believed that she had irrevocably committed herself to starting World War III. Russia did not say "either you get out, or I start a war." Because Russia left a visible loophole, England felt the threat could be safely ignored. The threat having failed to bring about a speedy withdrawal, both England and Russia then had a mutual interest in forgetting about the rocket bombs—an action that could only cause pain or destruction to both of them.

If the threatener is a Mossadegh

or a Nasser who convincingly displays himself as stubborn, revengeful, fanatical, or ignorant of the cost of what he has threatened, the threatened party may well decide to acquiesce. But a threat by a rational person or government can only be credible if the party that makes it is definitely committed and allows himself no visible loophole for escape. In fact, the rational threatener must even reckon with the "seeming compliance" of the party he threatens, who might then try to perform his transgression in subtle ways —with "volunteers," border incidents, fifth columns, claims of self-defense—that provide the least clear-cut obligation on the threatener to proceed with the punishment.

Beating the gun

Now, what defense is there against a threat intended to deter a certain action? One way would be to commit oneself so irrevocably to an act that the other party may be deterred from making the threat in the first place. For what can the threat accomplish then, except to make inevitable a mutually painful punishment? An even better defense against an anticipated threat is to perform one's act *before* the threat is made. Thus, the initial speed of the British and French attack on Egypt may have been aimed at beating the gun on an expected Russian "guarantee" of Egyptian territorial integrity.

Actually, we are dealing here with something that, except for its moral connotation, is much like extortion—the gratuitous threat of damage which has no purpose of its own except to be forestalled for a price. The victim's bargaining weakness is his power to pay; the extortionist's bargaining weakness is his power to withhold damage when the victim has refused. The extortionist must prove that he actually would have reason to carry out the threat if his demands are not met. The professional racketeer can show that he puts his reputation in jeopardy and, therefore, has to carry out his threats in order to stay in his dirty business. But, it may be hard for the vagrant holdup man to find an answer if his client asks, "What would you gain by shooting me?" Incidentally, the more sensible the holdup man seems, the less likely he is to persuade his victim that he actually would shoot. Here is another instance in which a "weakness"—bloodshot eyes, incoherence, panic (read "nationalism")—would strengthen his position.

Often the only means by which one can commit oneself to a threat is to pledge one's reputation to carry out the threats one makes. Any threat, for example, against

piecemeal aggression in Asia is likely to be only as convincing as the argument, "I cannot afford to be shown up as a bluffer, once I have made my threat."

There is another weakness that may provide strength in the face of a threat. If it is obvious that one has not the power to heed a threat or the ability to hear it, he may be immune. Dogs and small children cannot be threatened with punishments that are beyond their comprehension. Even the threat, "Stop crying or I'll give you something to cry about," is given up in disgust if the child is crying too loud to hear it. The toughest racketeer can get nowhere if he cannot communicate with his victim. One cannot effectively threaten to withdraw support from a government too disorganized to heed the demands made of it. The bargaining "strength" of Iran's Premier Mossadegh resided in his seeming immunity from rational thought. Since he evidently could not or would not heed a threat, any firm threat would only have made mutual damage inevitable.

Actually, political democracy itself rests on a strength that springs from weakness. What is the mandatory secret ballot but a device to rob the voter of his power to sell his vote? He must be denied any means of proving which way he voted. And what he is robbed of is not just an asset he might otherwise sell; he is stripped of his power to be intimidated. He is made impotent to meet the demands of blackmail. We are not simply afraid that he would sell his vote for a dollar; we are afraid that he would sell it for his life. There is no limit to the violence that he can be threatened with if he is free to bargain his vote, since the violence does not have to be carried out anyway if it is frightening enough to persuade him. But when the voter is powerless to prove that he complied, both he and those who would threaten him know that any punishment would be unrelated to the way he actually voted. And the threat, being useless, goes idle.

Such are the subtle paradoxes of bargaining. ■

Same Old Bargaining

PARENTS 2,600 years ago also had problems coaxing their children to eat, scientists on an expedition to ancient Phrygia, in Turkey, determined. In the tomb of a child buried about 700 B.C. they found pitchers shaped like geese and one shaped like a goat's head with horns for handles and the mouth as a spout—ancient versions of the Mickey Mouse mug.

Economics in Action

the 85th congress

President Eisenhower and the Democratic-controlled 85th Congress are likely to continue the legislative pattern of the past four years, in which a coalition of the two parties facilitated the President's program. The Democrats will continue to revise his proposals as far as possible, to extend their depth and breadth, thus emphasizing party differences.

inflation and the Middle East

Two problems will color almost all legislation: our domestic inflationary tendency, on the one hand, and the Middle East crisis, on the other. The administration's formerly planned $2 billion defense increase will probably be hiked, and there will be pressure to increase foreign aid, especially to the Middle East, perhaps also for Poland and Yugoslavia. If prices move up rapidly as a result of defense spending, price controls will have to be considered, but this seems unlikely at present. However, should the oil shortage in West Europe continue for very long, requests for dollar loans to countries buying U. S. oil will cause Congressional discord.

spending up

Government spending, not only for defense but also for education, the soil bank, housing and highway construction, can be expected to increase, producing a smaller budget surplus than that of 1956. Unless such a surplus is needed for emergency defense, Mr. Eisenhower will probably claim it to reduce the public debt. Although Democrats may press for a tax reduction for the lower income brackets, no general tax cuts are likely in 1957. But small business (businesses earning $25,000 or less) is in for some tax relief, along with easier credit and a larger share of defense contracts.

help for housing

Internal inflationary pressures heightened by world-wide price rises in strategic goods make it unlikely that the Federal Reserve Board will ease its over-all credit constrictions. If home building, which has suffered most from this tight money policy, does not improve considerably, it, too, is in line for general help. Interest rates on Federal Housing Administration mortgages were raised and Veterans Administration guaranteed mortgages will probably be raised to attract investments in lower-cost private housing.

farming standstill

Other issues will be: Farming—the administration plans to continue its policy of keeping government stockpiles of farm commodities low by flexible price supports and the soil bank. Unless the farmer's position shows marked improvement, Democrats will renew their fight to restore rigid 90 per cent of parity price supports for farm products, although they are not likely to succeed.

schools, slums and minimum wage

Federal aid to education, especially school construction—rising public school enrollment makes an increase certain. Eisenhower has pledged himself to work for federal aid, Democrats have their own proposals and the resistance that killed the 1956 bill may have decreased. There may also be a move to increase federal aid to depressed areas and extend slum clearance and lower-income housing. Gen. Eisenhower is expected to request improved unemployment insurance and a widening of the present $1 minimum wage coverage. Democrats will try to raise the minimum to $1.25 as well as extend the law's coverage.

power—public or private

Public versus private power—the struggle is apt to be renewed, especially since Democrats have replaced Republicans from key Northwestern states in Congress. Many take this as a mandate to review the whole issue of the President's "partnership" policy.

antitrust loopholes

Antitrust loopholes—the Justice Department will urge Congress to tighten antitrust laws. It wants power to act against certain forms of bank mergers; to require big companies to give advance notice of merger plans; to force companies to furnish information needed in preparing antitrust suits. Congress may decide to scrutinize small business failures to determine their relationship to the current wave of mergers.

the unforeseen

But if the world's peace is further disrupted and inflation becomes more than a tendency, the 85th Congress will have many other and more difficult problems to cope with.

* * *

agonizing reappraisal

WASHINGTON—For the past two months a truly agonizing reappraisal of American foreign policy has been in progress. That such a reappraisal was necessary no one in his right mind can dispute. The entire Western Alliance system not only stood at the brink of disaster, but actually was over the brink and on the way down—rescued only at the last moment by British and French realization that to carry their Egyptian action to a logical conclusion would illogically threaten the very existence of Western European civilization. The isolationist reaction in the United States might have swelled sufficiently to overwhelm even President Eisenhower's personal convictions. The British and French willingness to accept defeat in a situation created by them to avoid defeat made it possible for the United States to gain time for its agonizing reappraisals.

some heavy thinking

The return of John Foster Dulles was a signal to set into motion our new approach to world problems. But even more significant, perhaps, was the departure of Herbert Hoover, Jr., for as able a man as Hoover is, he was an administrator of policy, not a *maker* of policy. During the Secretary's convalescence, the

President himself found it necessary to do some heavy thinking about policies and new approaches. Then came replacement of Herbert Hoover, Jr., by Christian Herter and the establishment of informal but direct lines of communication between the White House and the national headquarters of the Red Cross, from whose offices General Gruenther now operates.

the new look

The outlines of our new policy have been set and were put to an initial test when Secretary Dulles held his series of personal conferences with the NATO members. Contrary to initial stories which appeared on the subject, the new look in American foreign policy will not include a weakening of the NATO bonds. Under no circumstances will the United States allow Europe to face the Russian threat alone. But a sharp line of demarcation will be drawn between military security of Western Europe and the post-colonial problems of England and France in the Middle East and North Africa. The British and French have already accepted such a separation between their military and political stake in Western Europe and their economic stakes elsewhere. In Africa and the Middle East they shall have to fend for themselves. But NATO itself is a going concern, and will stay that way.

the grand objective

The United States, for its part, will take on a vast economic assistance program for the Middle East and Southeast Asia. The bulk of our foreign assistance money will go into these regions from now on. Aside from some carry-over loans, Western Europe will get more and more political support but less and less economic assistance. The general goal of American foreign policy will be to show that the United States is definitely anticolonial and prodevelopment of underdeveloped areas. The grand objective: box the Soviet Union in the volcanic confines of her Eastern European satellites. ■

From Colony to Nation

by Frank N. Trager

Despite much progress, it's a long hard row for Southeast Asian countries

IN 1951 I went to Southeast Asia as Deputy Director (later as Director) of our Point Four Program in Burma. I remained there for two years, and during that time I had the opportunity to visit other Southeast Asian nations. Then, last summer, I revisited Burma, Thailand, Viet Nam, Indonesia, Malaya and Ceylon. Thus, I was able to compare conditions in 1956 with those prevailing when I first came to Southeast Asia.

On the whole, there has been some improvement. After years of paper planning and much talk of industrialization, factories have been built and are working. What has been done is only a beginning, but Southeast Asians would be the first to admit this. Burma, for example, which may be regarded as the industrial pacesetter, will only begin production in her first steel mill this spring and has built only two other large factories since 1953, one for pharmaceuticals and the other for jute.

Three factories in three years may not seem like much to Western observers, but to Southeast Asians it looks like a remarkable accomplishment. In Thailand, Viet Nam and Indonesia, industrial progress has been even slower. With the exception of some of the old copra and rubber processing plants left behind by the Dutch and a cement plant in Indonesia recently built through a loan from the Export-Import Bank, there is practically no heavy industry in Southeast Asia. The progress in

Burma is, therefore, encouraging.

The fact of the matter is that Southeast Asia is still a long way from solving some of her most basic economic problems. This should hardly surprise us. Only ten years ago, the countries of Southeast Asia—with the sole exception of Thailand, which was never forced to cede her sovereignty—were colonial possessions, parts of the empires of Great Britain, France and Holland.

At the end of World War II, the people of these lands finally succeeded in shaking off centuries of European rule. But only Great Britain yielded peacefully; independence from France and Holland had to be fought for in bitter and long drawn-out wars which have left behind them deep-seated animosities. These wars for independence, coming so soon after the period of Japanese occupation, paralyzed the area's agriculture. Even today, agricultural output is below prewar levels, although much progress has been made in restoring war-torn lands to production.

As serious as the heritage of colonial "exploitation" and war, in the long run, is the persistent shortage of public and private investment capital. In countries where the average annual per capita income is less than 100 dollars, there is little room for capital accumulation either by government or by individuals. Private foreign investment had been discouraged by government hostility and restrictions, which only recently have given way to an attitude of "restrained cordiality." Even so, foreign investors continue to be wary, and capital from this source continues to be inadequate for the area's tremendous needs. Although institutional loans (such as those provided by the International Bank and the Export-Import Bank) are necessary and useful, no one can say that such loans have solved the area's continuing capital shortage.

We have here something of a vicious cycle. The basic reason why investment capital is in short supply is that the area is economically underdeveloped. And the main reason why the area is economically underdeveloped is that there is an inadequate supply of investment capital.

Several things will have to be done before this cycle can be broken. At present, the economies of Southeast Asia depend for their main source of capital on the fluctuating prices of a few commodities—rice, rubber, copra,

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etc.—which they *must* export in order to survive. Since the prices of such commodities are largely beyond the control of the producer countries, any long range development plan for the area must be extremely precarious.

This dependance on Western commodity markets, moreover, perpetuates anti-Western attitudes, since the West sells capital and consumer goods at allegedly high prices while buying raw materials from Southeast Asia at low prices. Indeed, these countries see themselves in a position not unlike that of the American farmer squeezed between high costs and low prices. Unlike the American farmer, however, Southeast Asian countries do not have the benefit either of "flexible" or "fixed" parity price subsidies.

Obviously, the answer to this problem is diversification, but this is easier said than done. In order to diversify, a country needs, of course, the ever-elusive capital. But it needs, as well, a skilled labor force trained in a variety of industrial techniques. It needs educated administrators with practical experience in the profitable uses of labor and capital. Above all, it requires a population imbued with those aspirations of self-improvement and profitable employment which characterize all industrialized societies, Soviet as well as Western. Without such a base, no diversified industrial society is possible.

Similarity in objectives

Southeast Asians know this, and their national plans—whether for five years as in Indonesia or for eight as in Burma—show a remarkable similarity in objectives. All of them seek to end the boom and bust cycle of foreign exchange earnings from exports. All agree that, in the final analysis, the only way to improve standards of living is to increase industrial and agricultural productivity. But they also agree that no substantial improvements in productivity can be expected so long as sanitation, housing, transport, communication—in fact, all those aspects of living which make it possible to *start* development—remain inadequate.

Unfortunately, these aspirations are not easily achievable. The lush days of the Korean War boom, when commodity prices were generally high, were followed by a sharp drop in commodity prices after 1953. In spite of much belt tightening in the form of severe restrictions on imports and domestic expenditures, it has become evident that the available supply of investment capital is just not going to be sufficient to fulfill the high goals set by the various national economic plans.

This hard fact has presented

Southeast Asian governments with three alternatives, none of them particularly attractive: they could yield on democracy and adopt the totalitarian methods of the Sino-Soviet bloc; they could (for a while at any rate) resort to printing press money; or they could resign themselves to traditional low standards of living. But the Southeast Asian governments cannot politically afford to give up their commitments to progress; they know better than purposely to resort to inflation; and they have thus far decided to avoid the methods of capital accumulation which Russia claims are "workable" if one is willing to pay the price in human freedom and dignity.

"Aid without strings"

Southeast Asian countries have sought to get out of this dilemma by seeking friends and friendly assistance. "Aid without strings" —in the words of Burma's former Prime Minister U Nu—is what they want. Unfortunately, that s not what they have always received. Our own Mutual Security Act of 1952 forced recipients of U.S. aid either to agree to some meaningless and humiliating promise of "peaceful" use of our aid or to join with us in a kind of military-economic program of cooperation. It was this suggestion of a military-economic program that caused the downfall of one Indonesian government and long delayed the proper use of American aid to that country.

Development requirements

Both the amount (about ten million dollars per country per year since 1950) and the quality of our aid will have to be expanded if free Asia is to remain free. As for the United Nations, even if its aid were to be considerably expanded, such aid could not possibly meet the development requirements of Southeast Asia. Certainly, it could not eliminate the need for a soundly conceived American program involving direct grants for sanitation, education, highways, long-range low interest loans for production and a permanent solution to our mutual commodity trade problems.

The countries of Southeast Asia are anxious to move out of what Prime Minister Nehru has called the "cowdung era" and into the atomic age. In the first five years after World War II, Southeast Asia achieved political independence. In the second five years—the period which I have been discussing—Southeast Asia has *started* on the path of economic strength. The next five years are crucial for political and economic democracy in Southeast Asia. We can help if we have the imagination and the will. ■

Eric Johnston

President, Motion Picture Association of America

View and Review of Satellite Rebellion

Q *Mr. Johnston, you were visiting the Soviet Union, Poland, Hungary and Czechoslovakia when the trouble in the satellites began. What can you tell us about the timing and the reasons for the outbreaks?*

A Well, there are many reasons, but the events to which you refer were probably triggered by the campaign of de-Stalinization in the Soviet Union itself. What the people of the satellites want to know is this: if Stalin, who had been built up into a god, was wrong, and if the policies Russia once pursued were wrong, may not the present policies of the Kremlin be equally wrong? Why should such policies be obeyed blindly?

Q *Were these questions being asked by the satellite leaders, or by the people in general?*

A Primarily, I would say that they were and are being asked by the great mass of people. On the other hand, I had the curious experience of ministers of state asking *me* what course should be followed. A foreign minister of one of the countries in revolt, for example, summed up his nation's predicament in these words: "It is very difficult to run a country when you don't know where you are going or how far Russia will let you go."

Q *Do you have any reason to believe that a similar popular discontent might be spreading in the Soviet Union itself?*

A I would say not. The people in the satellite countries are complaining because they realize that other areas of the world have progressed economically much more rapidly than their own. They want to know why *they* aren't progressing. And, of course, they resent the Russian predominance. In the Soviet Union itself, I noticed that there was a somewhat higher standard of living than the last time I was there, in 1948. And there is a little more freedom. It isn't much, but when you haven't had any for a long time, a little appears to be a lot.

Q *The deglorification of Stalin hasn't had the same effect in the Soviet Union as in the satellite states?*

A I think the deglorification of Stalin brought a breath of fresh air to the people of the Soviet Union. But in the satellite states, that breath of fresh air has been whipped up into a hurricane. In my opinion, that storm will continue to blow for a long time to come.

Q *What makes you think that?*

A The most disconcerting fact about the satellites, as far as the Russians are concerned, is that the spirit of revolt was most prominent among the youth—people in their teens or in their twenties. These were precisely the people whom the Communists had been indoctrinating for ten years. In spite of this indoctrination, there was still rebellion. The Kremlin is wondering what can reasonably be expected from the satellites in the future.

Q *Did you have an opportunity to speak to any of these young people? What did they expect to accomplish?*

A Well, the general reaction was: "We have to act quickly. If we don't, the Russians will clamp down. But the freedoms we secure now, the Russians will not dare to take away from us."

Q *In the light of what has happened in Hungary, do you believe the other satellites see the danger of going too far too fast?*

A I should imagine so. I remember I brought up this very point before a group of newspaper writers and editors whom I met one evening at dinner. Their feeling was they had a limited length of

time, that there was a split in the Politbureau and that as long as this split existed, they could press their demands. In Hungary, an evolutionary process that began with Imre Nagy becoming Prime Minister, broke down under the revolutionary demands of the people. Nagy felt compelled to go as far as promising free elections and the denunciation of the Warsaw Pact. This was too much for the Russians. The rest you know.

Q *Do you feel that Gomulka's success in Poland was due to his moderation?*

A Yes, I think so. I was on the platform with Gomulka when he made his speech before 400,000 people in Warsaw's main square. Obviously, the crowd wanted to hear a bitter denunciation of Russian policy, and I think those people could have been whipped into a frenzy—burning, killing, almost anything. But Gomulka urged caution on them. He urged them to go back to work, not to parade. The crowd cheered only twice—once when Gomulka told them that the Soviet Union had agreed to return Soviet soldiers to their bases, and the second time when he introduced the Polish general who has since been made Minister of War, replacing Marshal Rokossovsky. When Gomulka finished his level-headed speech, the crowd gradually drifted away.

". . . a way which will best suit the people of Poland"

Q *Weren't there any demonstrations in Poland?*

A Yes, there were some. That evening, for example, there was a demonstration in the streets of Warsaw aimed at Rokossovsky. This group marched to the Russian Embassy, where they were met with fire hoses and bayonets and finally dispersed by Polish troops. That night, about 12:30, I drove around the Russian Embassy. I counted 132 Polish troops guarding the Embassy, and there were undoubtedly many more lurking in the shadows. The people didn't completely obey Gomulka and his advice, but they certainly were not whipped up into a frenzy. And I think Gomulka did a very wise thing.

Q *What seemed to be the reaction of the Polish leaders? Was there any disillusionment with Russian policies?*

A The Poles hate not only the Russians. They remember very dis-

tinctly what the Germans did when they marched into Poland. In Hungary, the hatred is for one party, and one party only—the Russians. One Polish official put it to me this way: "Mr. Johnston, look at the map. To the west of us is East Germany with 22 divisions. To the east of us is Russia with 200 divisions. What do you want us to do, commit national suicide?"

Q *How closely do you think the new Polish government will stick to the Communist type of economic organization?*

A This is what a Polish official told me when I put that question to him: "We cannot return to a land of serfs and overlords. We don't know what your form of economic progress is in America. We've never had any experience with your brand of capitalism, which you say is different from that of Europe. So, we are going to continue socialism. But I want to make it clear that it will be our own form of socialism —not the Russian brand, perhaps not even the Tito brand. We want to develop our own culture, and our own social, political and economic system in a way which will suit best the people of Poland. That's what we want, and we want to have the freedom to do it."

Q *Mr. Johnston, you were in the Soviet Union when the Hungarian revolt flared. First of all, what was your general impression of conditions in the Soviet Union?*

A There were two things that struck me immediately. Number one, there is an esprit de corps which does not exist in the satellite states. It's like the spirit of a winning football team, or the spirit of our Marine Corps, or the attitude of any group that has been successful.

Q *What is the basis for such a high degree of morale?*

A There is constant enlargement of the accomplishments of the Soviet Union. For instance, the only jet airliner in operation today is a Soviet airliner running regularly from Prague to Moscow, and then from Moscow to Peking. And it's a good job—a very lush piece of equipment to sit in and to fly in. Their memory machines and their electronic devices seem to be good and very attractive. The Russians are very proud of their automatic control devices, machinery and other implements. They feel a sense of accomplishment in their University of Moscow, which has something like 42 stories, covers 15 to 20 acres, has 22,000 students, with every student in a separate

room, things of that kind- classrooms with a rotunda, the teacher lecturing from a pit, so to speak. Their stress on science is showing results, their theater is excellent, and they entertain foreigners lavishly. All of these things are played up in the Soviet Union and give the people the impression of progress. And they do have a higher standard of living than when I was there eight years ago.

"There are varying degrees of ignorance"

Q *What about your second impression?*

A Well, I was struck by the very large number of Orientals in Moscow. In the streets, hotels, theaters, everywhere you go, you will find Chinese, Indians, Indonesians, Malayans, Burmese, and so on. My guess is that in the various classrooms I visited at least five per cent of the students were Orientals. Evidently, what Washington is to the Western world, Moscow has become to the Eastern world. This is something to think about.

Q *What did you glean from your conversations with the Soviet rulers?*

A In my talks with Bulganin, Zhukov, Shepilov, Malenkov and some others, I found a suaveness and a smoothness which didn't exist in Stalin's days. And while there probably is a split among the leadership as to whether Russia should get tougher or become more lenient, it certainly wasn't in evidence. Every once in a while you get some speculation about what is happening among the members of the top leadership, but like everything else about the Soviet Union, no one really knows, and there are merely varying degrees of ignorance.

Q *Did any of the leaders comment about the satellite revolts?*

A No, they were absolutely silent on that subject. In fact, there was no official information in the Soviet Union about what was going on in the satellites. No one with whom I talked, whether a taxicab driver, tourist-guide, minor or major official, seemed to have any knowledge of the events in Poland or the revolt in Hungary.

Q *What about the troop movements?*

A Troop movements do not mean anything in the Soviet Union, and people rarely venture to guess whether such movements are routine

or for a definite purpose. There just wasn't any information.

Q *Then you would say that the revolt of the satellites has had no effect on the Soviet Union?*

A I don't think it has had any effect on the people, although it has undoubtedly had a profound effect on the leaders. Certainly they must be reappraising their entire policy regarding the satellite states.

Q *What form do you think this reappraisal will take?*

A Well, it might boil down to the type of settlement that was made in Poland—allowing a little more liberty. Of course, how far the Gomulka type of program will eventually go is impossible to tell, and this is what the Russians must think about. How far should *they* go? Does the granting of some liberty in Poland beget the granting of other liberties? Will the people of the satellites, when once granted one freedom, demand another? The Russians are between the horns of a dilemma, and for the moment they are hanging on by grasping both horns. Can they maintain their monolithic hold by force? Or must they try to win the loyalty of the satellites by making attractive promises and adopting softer policies? The Soviet leaders know they can keep the satellites in check by using brute force. They are not so sure they can do it by other methods. I, for one, don't think they can maintain their influence in any way other than force. But there is no way of telling now what the Soviet policy for the immediate future will be. We shall have to wait.

Q *Do you believe there is anything the U. S. and the free world can do in this situation?*

A I think there are some things we should not do. We shouldn't give any impression to the satellite states that we are going to intervene. In the first place, we have no practical means of doing so. In the second place, I don't think the Soviet Union is in any mood to stand by and let us intervene. And in the third place, I believe the satellite states really *want* to work out their own social and economic problems without interference from either East or West. This much, at least, has been made plain by Russia's difficulties with her so-called satellites.

Q *Thank you, Mr. Johnston.* ■

Everyday Economics

THE Internal Revenue Service had 160,720 tax refund checks for 1955 for which it could find no owners at the end of last August, and a total backlog of 1,321,654 checks. No matter how long a refund has gone unclaimed, you can collect by establishing your indentity.

Fallout and film

IF your photographic film is fogged, it may be due to radioactivity, which, according to recent dust-fall studies, has been strong enough in some areas to affect film. To prevent this, keep film in the original wrapper before and after using.

Campus to camp

COLLEGE-TRAINED young men expecting to go into service would do well to consider the Army's Scientific and Professional Program. Under this plan, inductees who are college graduates can get Army jobs related to their fields of specialization. About 30 fields are covered, and, in many, a bachelor's degree is sufficient to qualify an inductee. Those who qualify receive eight weeks of basic training, and either an "A" or "B" assignment. The former means the inductee will be working in his special field; the latter, in a field only indirectly related to it because there are no vacancies in that particular specialty. Although promotion is slow under the Scientific and Professional Program, young men will be gaining experience in their chosen professional field.

Your birth certificate

IF you need a copy of your birth certificate, or must register to secure one, write to the United States Government Printing Office, Washington 25, D.C., for Senate Document No. 101 of the second session of the 84th Congress. Entitled

How To Obtain Birth Certificates, it provides a table showing where to apply for birth certificates in each state, the cost of securing copies and the statute relevant to delayed registration.

Vision blindness

ONE person out of eight has a vision problem that has been totally neglected. One out of ten is wearing glasses not suited to his needs. So finds the American Optometric Association in a recent study. Another conclusion of the study: wearers of glasses are aware of the need for checkups every two years, but actually get them only every 34 months.

Soft soap

TO LUBRICATE a stubborn zipper, soap it on both sides while closed, then soap the open teeth.

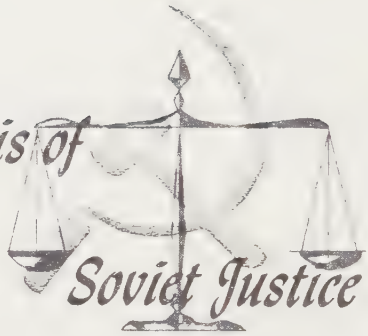
Light, moisture and no drafts

CHRISTMAS plants can be preserved with good light, adequate humidity, steady temperature, good ventilation—and no drafts. Keep them in your brightest windows, but on cold nights move them to a warmer place. Water them only when the soil is getting dry; water-logged soil kills them. Fresh air and radiator humidifiers provide the higher humidity plants need, but plants don't like drafts, whether hot, cold or dry. Above all, keep your Christmas plants away from radiators or other kinds of heaters. Now and then, let the pots stand in water until soaked, and remember to keep plant leaves free from dust and soot by sprinkling or wiping gently with a damp sponge.

If winter comes. . .

THE best time to buy a summer hideaway is now, when the countryside shows itself most clearly, especially if you're willing to settle for an abandoned farm. There are many still to be found beyond the commuter's range, and at good prices. A broker adds to the cost, although he simplifies matters; if you yourself do the hunting you are likely to find property that has never been listed for sale. Before offering a price, find out the cost of comparable property in the neighborhood, and ask the county agent of the state agricultural extension service what comparable land is worth. The local bank can recommend an independent appraiser. Loans for such property may not be easy to get, and owners are apt to want cash. So be prepared.—G.M.S.

The Basis of Soviet Justice



by Sidney Horowitz

Soviet legal procedures are as alien to Western democratic norms as Marxist ideology and the traditional superiority of state over individual

It is from the vantage point of a gargantuan house of correction that Soviet concepts of justice and the apparatus of law enforcement are devised. That Soviet law should be cast in the mold of arbitrariness and rationalized disregard for individual rights is hardly surprising. Indeed, the opposite would be; for its legal institutions of today are the product of a tragic history of suffering, brutal and prolonged conquests from without and collective submission within to an autocratic government. What is true of Soviet justice is also true of its other institutions: the government, trade unions, the press, education and literature. All are captives of an oppressive and monolithic control.

Eternal Mother-Russia provides the foundation for the architecture of Soviet law. Czarist Russia lives on in the chaos and confusion of the legal codes (Soviet commissions since 1926 have sat for the purpose of drawing up an omnibus legal system, but none has yet been forthcoming), and in the lack of precedents which might resist bureaucratic tyranny.

Most deterring are the survivals of a peculiar Russian attitude toward law and government. The historical concept of *rodina,* or motherland, carries with it the tradition of *sobornost,* or congregation of the faithful. This sanctifies the oppressiveness of the collective will over the individual. Russians have always been indifferent to the purely formal application of the law and have regarded civil offenses as of much

less significance than crimes against the State, the latter being customarily punished with inhuman savagery. It is interesting that no precise words exist in the Russian language corresponding to our terms "legality" or "individualism."

Property relations provide the background to Soviet attitudes toward justice. The factors which induce crimes are not, according to the Soviets, moral, ethical, religious or personal, but purely economic, depending on one's class status. Therefore, extra-legal, indeed any, means may be employed by the elite party and governing groups to achieve socialism and, ultimately, communism—the total abolition of private property. According to Andrei Vyshinsky, procurator of the Soviet Union in the 1930s, it is the purpose of Soviet rule to "imbue all citizens with a respect for Soviet law *and to learn [sic] the rules of Socialist life together.*" There is no evidence that this purpose has changed during the past 30 years.

Socialist planning of the economy supersedes every other political objective of the State and Communist party. Thus, the fulfillment of production norms set by the government becomes a supreme law unto itself and holds in its grip the officials of the Communist party, the government ministries, the trade unions—indeed every institution and citizen in the Soviet Union. Through the insidious use of analogy, the Russian secret police (MVD) can still step in to impute criminal subversive intent to economic offenses which are normally treated in the Western countries as civil suits between firms or individuals.

In theory, the function of the law is to overcome the differences of interest between the individual and society by integrating the former as an enthusiastic and productive executor of the collective will. Put crudely, when every Ivan becomes a drug-store lawyer and understands the character and need for Soviet law, then there won't be any need for law all together. To get Ivan to that stage, in the meantime, the State must employ both persuasion and coercion—propaganda and police.

Criminal procedure, like so many aspects of Soviet institutional functioning, constitutes a mixture of Western norms and the regulations of Soviet state policy. It is a half-way house. The code of judicial procedure, the constitutional guarantees and the writings of professional jurists proclaim with fanfare the sanctity of the defendant's rights. In practice, the elaborate Western style rights are vitiated by the subordination of the judiciary to

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the will and purpose of the party and state administration.

Perhaps the outstanding trait of Soviet criminal procedure is the heavy emphasis on preliminary investigation and inquiry. It is here that the truly inquisitional character of Soviet justice is manifested. Moreover, the line between the inquisition and the accusatory (court trial) phase is a wavy one. Walter Duranty of *The New York Times* once described the net effect of the elaborate preliminary inquisitions: "According to the Russian concept, a trial merely serves to establish the degree of guilt. But that a man is presumed to be innocent until he is found guilty is an alien folly. Unless he is guilty, he would not be brought to trial." While this concept of pretrial guilt is denied vociferously by Soviet writers, one must hold suspect the character of long, non-public preliminaries.

An ancient mistrust

Also contrasting with our practices is the extreme informality of the Soviet court. It still reflects an ancient Russian mistrust of the legal profession, an assumption that lawyers may lie in defending clients and thus frustrate the law of the people's justice. Combined with all of this is a lingering indifference toward ordinary criminal and civil offenses like larceny, fraud, disorderliness, etc. The main function of the court in such cases is not retribution, but the restoration of the defendant. Prof. Harold Berman of Harvard University aptly calls the atmosphere of the People's Court that of a juvenile court in this country. On the other hand, one encounters extra-legal harshness in the higher courts when dealing with state or military crimes.

A striking feature of the entire court hierarchy is the absence of a public jury. Instead, there is a system of elected people's judges and assessors on the People's Court level. Since the People's Courts handle the bulk of petty criminal cases (less than one year's imprisonment or deprivation of freedom), it is on this level that the Soviets stress the popular features of the people's juror system.

Soviet jurists and lawyers engage in polemical gyrations to prove that the type of justice rendered in the People's Court is superior and more genuinely democratic than that of Western tribunals. The true Soviet attitude toward trial by jury, however, was betrayed by Krylenko, a former head of the State Prosecution: "It is necessary to avoid forms of courts which might in a critical moment for the proletariat offer a counter-revolutionary attack and betray the revolution . . . If we are to entrust our cases to the

people in general there will be all kinds of shifting and deviations. By having trial by jury in a peasant country, we would run the risk of receiving decisions fundamentally contrary to the aims of the judicial policy maintained by the vanguard of the proletariat."

Enemies of the State

A scrupulous regard for legality is apparently receiving great emphasis since the death of Stalin. An extensive campaign has been launched since 1953, utilizing all of the Soviet indoctrination channels, to convince the public that henceforth the party and the government will enforce a strict observance of the law and will safeguard individual and collective civil rights. Actually, this does not represent a new approach; it is an intensification of a process which began in the mid-thirties, when Stalin himself encouraged the development of the complex constitutional and legal forms. The caprice of the dictator was unrestrained, however, by the statutes which permitted the notorious Special Boards of the MVD to legally dispense terror among "enemies of the State."

The Communist party's guise of forgiving father and just avenger of wrongs now is attempting to mollify resentments against "the old regime." Two blanket amnesties have been decreed by the Presidium of the USSR, the highest government organ of justice—one in May 1953 and another in October 1955.

Once again an impending revision of the entire criminal code, and its complete systemization, has been announced. (Such announcements, it may be noted, have been current in Soviet legal journals since 1926.) Apparently, too, strenuous efforts are being exerted to give lawyers better training and to protect their college of advocates against arbitrary action on the part of party agencies and the Procuracy (state organ of prosecution). The Procuracy itself has been subjected to sweeping new regulations since July 1955. These are designed to keep state prosecutors strictly within the bounds of the law and to subject them to rigorous inspection in order to rectify abuses of citizens' due process rights.

Certain American experts on Soviet law believe that the tempo of retraction and confession of error by the present Communist chieftains was so fast that the powers of the most obnoxious department in the MVD, the Special Boards, were abolished shortly after Beria was purged in 1953.

On April 19, 1956, the Supreme Soviet also abolished the special powers of the Soviet security organs to circumvent legal procedures in cases involving espionage,

subversion or terrorist acts. These revisions are tantamount to an admission that the great purge convictions of 1934-1938 were based on trumped-up charges or partial evidence and that the confessions were then obtained by torture and threat of injury to relatives.

What do all of these relaxations and counter-pressures mean? Is a genuine metamorphosis transpiring in Soviet methods of dispensing justice? Perhaps no final judgment should be passed until the dust has settled. However, it is important to remember that the structure of Soviet society, by its very nature, seriously limits the sphere of civil liberties and human rights. Russian leaders of today—were they the incarnation of forgiveness, rectitude and restraint (which assuredly they are not)—would find themselves imprisoned within the confines of Soviet institutional dynamics. The grim reality is a *moloch* state, a relentless machine which *per se* must take its inexorable toll of all who serve it, from Khrushchev and the Presidium to the most miserable of labor camp inmates.

Constitutional legality is incongruous in a totalitarian-bureaucratic government, and, if it exists at all, stems from other objectives than the guaranteeing of the individual's judicial rights. These privileges are not based on any theory of personal rights, but are founded on the assumption that they are to the interest of the government which is served by the courts. Since real channels of opposition to administrative arbitrariness do not exist, the court simply becomes an agency to help along the illusion of grass roots legality.

Similarly, the judiciary indoctrinates the masses with the necessity and justice of state laws and the benevolence of the regime. The citizen learns that state justice is superior to any private, selfish or atomistic concept of individual rights. Soviet justice abounds in strict paper rights and a sloppy informal application of them. There is considerable overlapping of judicial and administrative jurisdiction, while all regularized legal procedure may cede at any time to arbitrary intervention on the part of the secret police or party agencies.

The requirements of a state-controlled economy and the security orientation of a power elite permit the party and government organs to behave capriciously; no tradition of common law or equity exists, and the cultural level of the masses is still comparatively low. Perhaps a conscious striving for a stabilized and protective legality really does exist, but it is modified by the hard facts of Soviet life. ■

by Beatrice Judelle

What is it? Where does it begin and where does it end?

THE TERM, "a slave to fashion," is apt to conjure up the image of a wan-looking woman, heavily made up, dressed in the latest, bizarre style, who spends a considerable amount of time poring over the fashion magazines for the latest news from Paris. But we are all "slaves to fashion" in one way or another.

The desire to dress in the Paris manner is merely one expression, if somewhat exaggerated, of the universal longing of man to conform to the pattern of his group, to change with it or to adapt himself to entirely new patterns on moving into a different group. And as consumers, we spend a great deal more to be in fashion than we realize.

Even those of us who would indignantly deny being "clothes horses" will readily admit that each time we buy something new to wear we put aside other clothing that is far from worn out, but just a little dated. We replace furniture that has years of useful life left in it because its lines or colors do not fit our present idea of how our home should look. We trade in cars that still have many thousands of driving miles ahead, and we cheerfully accept the fact that our new cars, after the first year of ownership, will have depreciated by one-third in value because still newer ones have come on the market.

To the businessman, fashion changes constitute a real and appreciable market force. They can, for example, mean a boom in miracle fabrics, modern furniture or hard-top convertibles. They

have also tolled the end of business in such things as bustles and bowlers, horsehair sofas and cradles or antimacassars and mustache cups.

Who sets the fashion? Is it the couturier, Christian Dior, who decides in the solitude of his Paris workrooms what fashionable women will wear next year? Is the trend in automobile design being articulated right this minute by a draftsman for General Motors? Or is the draftsman over at Ford? Or at Chrysler?

Unfortunately for the bewildered businessman, the answer is not that simple. The professional designer is, of course, responsible for the final form in which a dress, an automobile or a fabric is manufactured, and into this goes all his highly developed artistic skills. But does the impetus for setting a fashion rest with him alone? Not always; and not, for that matter, even generally.

Maude Adams and Peter Pan

For proof we have only to recall the unpredictable sources of a few past fashions. The tiny, rounded collar known as a Peter Pan became the fashion, for example, when Maude Adams wore one in Barrie's play. A comic strip started a hair style called Buster Brown which swept the country. It was Marlene Dietrich's startling appearance in flannel slacks about 20 years ago which more than anything else heralded the still current enthusiasm for informal playclothes.

If the development of aviation made "streamlining" the key to modern design in automobiles, appliances and almost everything else, should we credit the designers of airplanes or the multitude of designers who have hit on streamlining as an approach to industrial design problems? What about the scientists who translated the theories of aerodynamics onto paper graphs, or the natural flight of birds which inspired it all? Fashion can begin anywhere: in the arts, the sciences or simply in the intuition of a designer. But it cannot be said to be the exclusive creation of any of these.

No matter how complicated a business fashion may be, serious and effective efforts must be made to determine what the customers will want tomorrow. Thus, in the clothing industry, many a businessman will add to his staff an executive, usually a woman, whose sole function is to study and interpret fashion trends for the company and its customers. If the fashion expert knows her business, she avoids the cost of "duds" in the firm's line and helps lead its de-

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Beatrice Judelle has been doing research and writing for associations and publications in the retail field for more than 20 years.

signers to create more "running numbers" that enjoy quick acceptance and steady sale. She earns her keep by helping the company chalk up a greater volume of sales, more profitable operation and increased prestige.

Partly by instinct

How does she determine what the fashion will be? The answer to this is partly by an instinct for what people will like, and partly by a study of what they have bought in past seasons. Often, celebrities in society or entertainment set fashion trends by their personal preferences, and the fashion expert is always alert to this possibility.

In other lines, the problem of determining fashion trends is less instinct and more mathematics, at which point market research comes into its own. Consumer surveys check on the current preferences for this or that brand of soap, coffee or cereal, and seek to define the ingredients of success in the preferred brands. Motivation research gets into the picture, too, as business dabbles in depth interviews to determine *why* customers buy what they buy.

The consumer may often be unconscious of the way fashion guides his buying decisions. Yet the manufacturer and retailer who sell to him are keenly aware of the influence of fashion and are on the lookout for ways to harness it for their own ends. Few businessmen, however, are in a position to direct fashions. They recognize that trends and even fads start with the consumer; industry and retailing can only recognize a trend, publicize it and give it impetus. In other words, they cannot breathe life into it before it is desired, nor can they keep it alive after desire for it has waned.

One short-lived fad which illustrates this very clearly is the Davy Crockett craze. Inspired by a song, a motion picture and some brilliant merchandising tie-ins, it took possession of the younger generation like a plague. Remember the kids in coonskin hats even on broiling summer days? Remember when it seemed as if jukeboxes played only one record—the one about the king of the wild frontier? And remember, too, how at last the youngsters had enough of identifying themselves with that particular hero? In the midst of some bitter arguments over who had the right to use the great man's name on merchandise, boredom set in and the fad was dead.

The celerity with which a new fashion is adopted from one end of the country to another still amazes businessmen. There is no mystery about how news of the fashion idea spreads, not in a country with as many television sets, radios, magazines and newspapers as we

have. The quick and general response, however, is another matter and can best be attributed to our unprecedented prosperity and virtual full employment. People can afford to spend freely; they don't have to shut their ears to the siren's song and resist change.

To understand this relationship between fashion acceptance and prosperity, consider the synthetic sponge for dishwashing. In order to get these sponges in colors which suit their kitchens, housewives pay far more than they would for dishcloths. Yet if synthetic sponges had been introduced during the depression years, their excellence and beauty would probably have caused little or no excitement among shoppers. Even dishcloths were a luxury then, and many a housewife was content with bits of old rags for dishwashing.

Diminishing returns

There is little question that fashion changes prod us, the customers, to spend more than we actually need—to replace things that are not worn out, to regard yesterday's luxury as today's necessity. On the other hand, there is a point of diminishing returns. Minor changes, if introduced faster than the public can absorb them, do not swell a product's market.

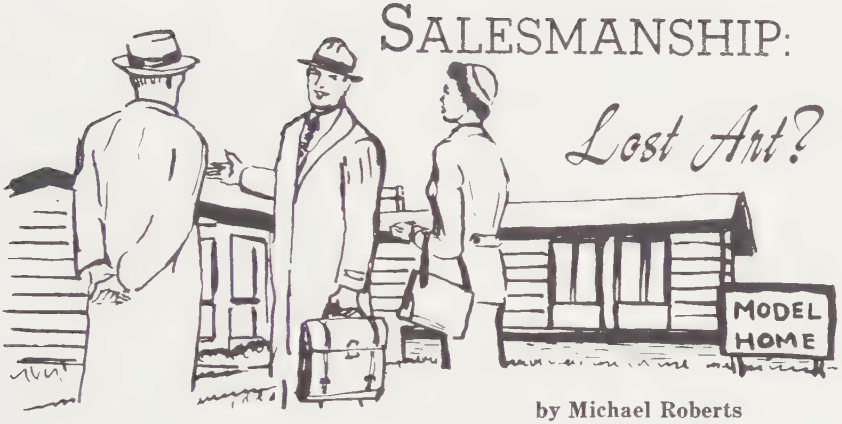
The changes can be ridiculously insignificant sometimes, but we have seen, over and over again, such superficial improvements as those mysterious additions to soaps and toothpaste, or the extra curlicues of chrome that constitute the "new" model in refrigerators or cars.

In these cases we find the manufacturers competing with one another for the customer's loyalty to a particular brand. If General Motors brings out "new" models every year, Ford can be expected to follow suit on the perfectly logical assumption that the prospective car buyer won't buy last year's model, no matter how good it was, if newer models are available.

There remains the manifest fact, however, that real changes in fashion are an important stimulus to business. If fashion dictates "the bloused look" in dresses, thousands of women will rush out to buy a dress in that style to prove that they are up to date. If the new cars come out lower and longer, men will look coldly at their old conveyance and start mumbling to themselves about trade-in prices.

Multiply these everyday occurrences by the millions of people in the country and you begin to realize the potential market that lures every businessman into the endless game of trying to keep ahead of the next fashion trend. ■

SALESMANSHIP: *Lost Art?*



by Michael Roberts

A growing economy cannot afford to do without the confirmed salesmen who develop acceptance of new ideas and products

IN THE giant economic complex which is the American system, marketing, merchandising and selling have been refined into such a profusion of specialities that all but forgotten is the art that fathered such techniques—salesmanship.

The man who comes around to your home or office to sell something is not exactly a rarity these days. Also with us are the men and women working in showrooms and behind the counters of a countless variety of enterprises, those who patiently wait for a prospective customer to make an appearance. The trouble is that while there are still plenty of sales jobs and, apparently, the sales people to fill those jobs, salesmanship as a motivating and constructive economic force seems to be suffering a premature consignment to oblivion.

There are plenty of businessmen and economists who are concerned, particularly now that we are in a buyer's market. But only a few are as personally concerned as Frank C. Russell, who from a lifetime of experience as a working salesman—and a very successful one at that—sees the problem as intimately as a corpuscle views the bloodstream. A fifteen minute talk with Russell is enough to send any man scurrying out, sample in hand, to convince the world that nothing is as vital to human progress and satisfaction as the very item he happens to have to sell.

"Try to recruit a sales force," says Russell, "and see what you

get. Men who have retired and want a small income to augment social security. Energetic people who want to make some extra money while holding onto their regular jobs. Young men in their middle twenties who really don't want to be salesmen but have failed to get started in another career. Where are the truly able and ambitious ones? The man who goes out and sells always has been the leader in setting new patterns of consumption. Salesmen today are among the top salary earners in the country. But we get fewer and fewer who want to put their professional energies into 'selling'."

Changed a few ideas

Frank Russell's regret at this turn of events is founded on the memory of days when established dealers didn't want to handle home insulation material. Russell went out and sold insulation door-to-door. "Wouldn't think of a house today without insulation, would you," he observes. After the war, Russell became fascinated with the prospects of aluminum combination screen and storm windows. No one wanted to touch that one either. Again, Russell resorted to the door-to-door technique. His Rusco organization became the leader in the field. "We changed a few ideas about what home windows should be like," he observes.

Ask Russell, and he can give you a hundred examples of other men with other ideas who through salesmanship-in-action left their mark on the American economic scene. That salesmanship should have become such a sterile art today violates his sense of history; for when Russell thinks about selling, his appreciation of the accomplishments of the salesman goes back to the colonial era of the New World.

18th century fixtures

The Yankee peddler was America's first salesman and first businessman. The bent figure of the peddler staggering under his load of wares was a common 18th century sight. He was a respected and welcome guest in the isolated colonial farms and communities. Not only did he bring with him the latest in domestic and imported goods, but he was a bearer of tidings as well. The Yankee peddler appears throughout American literature and folklore: in James Fenimore Cooper's *The Spy*; in the legends of Johnny Appleseed; in George Gershwin's *Porgy and Bess*; and in Rodgers and Hammerstein's *Oklahoma*!

Succeeding generations of Yankee peddlers made their appearance on horseback, then on horse and wagon, flatboat, auto, truck

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Michael Roberts, free-lance writer, wrote this article as a special assignment for CHALLENGE.

and even airplane. Adam Gimbel first sold his wares from a push-cart. James L. Kraft sold his cheese products from a horse-drawn wagon. That giant of American enterprise, American Telephone & Telegraph, is a consolidation of the efforts of Yankee peddlers who sold telephone subscriptions from door to door. Other items which have been sold in the tradition of the Yankee peddler include gas and electric service, washing machines, refrigerators, books, magazines, clothing—in fact, practically everything that we consider a necessary item or service of modern living.

The bunko man

Frank Russell winces when mention is made of the 19th century caricature of the Yankee peddler, the bunko man, who did so much to debase the reputation of the legitimate speciality salesman. The carnival barker, who specialized in marketing frauds and cure-alls, ruined the professional reputation of salesmen and gave rise to a public image of the salesman-type which most Americans have come to abhor. Then came the seller's market of the 1940s which thrived on the war and postwar shortages. The downgrading of professional reputation was matched by an atrophy from disuse of the art of salesmanship.

But the economic facts of life of 1957 shows that the wartime shortages have become, if not peacetime surpluses, items that must be "sold." "Get out and sell!" is the standing order of the day. Suddenly the economy has rediscovered that the salesman can make a giant effort in moving goods from producer to consumer and that salesmanship is, after all, something more than taking down an order.

"I told you so"

At 56 years of age, Frank Russell can justifiably say, "I told you so." Russell never did stop selling, and for his efforts he could live the life of a retired millionaire today, if he chose. Russell's story is not one of immediate success. But during the course of 35 years of selling, he has managed to realize a dream that all salesmen have—to get hold of a couple of items that will sell and sell long enough to net a fortune. And Russell netted the largest part of his fortune during the period immediately after the war, when everyone else was sitting on his hands, content to wait for the customers to come in. Russell and his sales staff were out ringing doorbells. As it happened, so were the insurance companies. Everyone knows how phenomenally well the insurance companies did. Few know that Frank Russell made a million dollars. The point is, both

the insurance companies and Frank Russell took advantage of an uprecedented rise in national income to squeeze out the last potential sale via the door-to-door route.

It takes a special kind of man to be the salesman that Russell is. At dinner he sells you on the quality of the water on his estate, and soon you are convinced that water of such high quality should not be dispensed freely. Russell, by instinct, measures the salability of everything around him. His Great Oak Lodge, set on 1,100 acres along Chesapeake Bay, started out as a friendly gathering place of business associates; before long it became a yacht-club resort with a steady clientele which paid membership fees for the facilities. Inevitably, the estate was sold to the membership for $1,500,000. In short, Russell couldn't keep himself from literally selling the roof over his head.

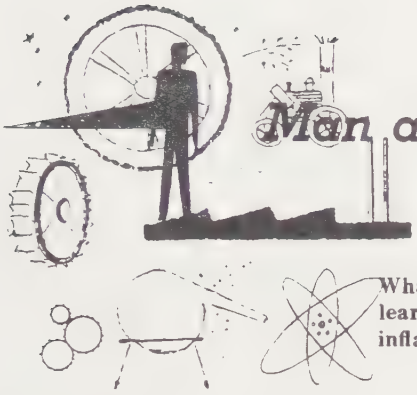
Pushbutton controls

The next selling project that Russell has mapped out for himself involves an automatic device for overhead garage doors—a gadget, he says, every American with a home should have. The idea is not new, but Russell's approach to selling it is typically in the tradition of the Yankee peddler.

To start selling this product of the Rado Corporation, Russell has built a portable demonstration garage with a power plant to work the automatic door. With each portable unit goes a kiddie-size model of a popular sports car, equipped with Rado-matic push-button controls which can send the garage door up or down. The demonstrator unit costs two thousand dollars. Russell figures that one thousand of these in operation among a nationwide sales force will convince enough people to make the investment worthwhile.

Why a man who is a millionaire should get back into harness at the age of 56 (Russell tried to retire in 1955) can be plausibly explained only in the United States, where the drive to achieve just one more success, is a unique characteristic of American businessmen. "A man can't just die on the vine," Russell explains. "The potential market is too good to resist. With 15 million overhead garage doors already in existence, and another million and a half being sold annually, why should people keep on opening and closing these doors the old-fashioned way?"

A product, a market and a salesman. It is an old challenge. There are some new frills perhaps, but it is an old challenge, nevertheless, with shades of the Yankee peddler very conspicuous. ■



Man and the Economy

No. XX

What we learned—and what we did not learn—from our experience with inflation during the Twenties

THE WORLD of 1914 was not a paradise of free enterprise. A revived protectionist movement in England and elsewhere, rival imperialisms and other emblems of nationalism surely counted as important flaws. Nevertheless, almost all economists and most statesmen adhered firmly to three principles: maintenance of the gold standard, the international division of labor and laissez faire in economic matters.

During World War I, however, all the participants went off the gold standard and regulated with growing severity not only their currencies but also their prices, and the pattern of their output. All financed a large share of the war costs by the techniques of inflation: in other words, by central bank borrowing and the printing of currency. Finance ministers learned quickly how much easier these were than tax increases.

After the war, the economic clauses of the Treaty of Versailles further disturbed prewar fiscal and commercial habits. The victors performed a major surgical operation on the map of Europe by creating a host of sovereign states, among them Poland, Yugoslavia, Hungary and Czechoslovakia. This rearrangement of frontiers, or the compounding of them, disrupted the normal channels of trade.

In the ravaged German economy, inflation soared at war's end, and in that inflation a large share of the savings of the thrifty middle-class citizenry vanished. Indeed, the destruction of the economic position of the middle class during the early Twenties seriously diminished the life expectancy of the Weimar Republic. When Hitler began his manic rise to power, he found in this class and their resentful children a deep

bitterness which he turned to his own evil ends.

Nor was all well with the victors. Of the major winners, three —England, France and Italy—had borrowed hugely from the fourth, the United States. The Italian lira and the French franc persistently declined in value; and while the pound did not match their behavior, it stubbornly refused to return to its prewar dollar value. The economic incentives to save were seriously weakened. Why should even the thrifty save, if the value of their savings could be expected only to decrease?

The economic remedies

The United States was also beset by inflation, but here it took a different form. Our currency remained stable and indeed appreciated in value in international markets. At home though, the story was more complex. While prices did not generally rise, there were two important exceptions in the speculative stock market boom and the real estate bubble. On top of these excesses there was a profit inflation typified by an increasing labor productivity in a period of stable prices. Greater profits, in turn, fed the speculative excesses in Wall Street and in Florida real estate.

What were the economic remedies for these troubles? Did economists have any novelties to propose? On the whole, the answer is no. It appeared to them that the major task was to *repair* the damaged fabric of international trade. When the repairs were complete, they hoped that victors and vanquished alike could return to the gold standard and enjoy the benefits which had once flowed from it. What economists overestimated was the practicality of returning to an old era.

The best illustration of the inadequacy of prewar economic policies in the postwar world is the case of England. That country, almost as a matter of national honor, had determined not only to return to gold but also to resume the prewar relationship of the pound to gold—a dollar value of $4.89. By this step, England hoped to do more than gratify national pride. She sought to recover her prewar position as the world's leading trader and banker and to promote stabilization in other European countries.

What happened was very different, and in the sequel is contained the difference between prewar and postwar Europe. At the time of revaluation in April 1925 the true value of the pound was more nearly 40 cents than it was $4.89. Only speculation on the basis of premature rumors of re-

This is the twentieth article of a series in CHALLENGE dealing with the economic development of man.

valuation had brought it near and then beyond the latter figure. British prices had not fallen; American prices had not risen. In consequence, England's trade balance was no better at the end than it was at the beginning of 1925. The logic of the position demanded that prices and costs drop. This meant wage reductions at least in her export industries. But when mine owners endeavored to cut wages, the miners struck, an action that led directly to the disastrous general strike of 1926 in which England's export industries lost still more ground.

Overwhelming pressures

What happened in England is characteristic of what happened elsewhere during the Twenties. No nation and no economic group —whether it be labor, business or farm—was any longer willing to make the sacrifices which the remedies of orthodox theory demanded of them. As governments became increasingly representative, moreover, no administration could follow a consistent deflationary policy and expect to remain in power. The pressure to sustain wages, price and profits was too overwhelming.

Certainly, it is easy to sympathize with the coal miners. If *all* wages had fallen, and, with them, *all* prices, then after a period of adjustment, real wages would have been undiminished. But the recondite arguments of the theorists could not convince the miners of the equity of the sacrifice demanded of them alone. Indeed, it is not clear that the theorists were right and the miners wrong. In his devasting attack on the policy of revaluation at $4.89, *The Economic Consequences of Mr. Churchill,* who was Chancellor of the Exchequer at the time, John Maynard Keynes argued for a *general* wage cut, instead of a reduction borne only by the workers of a few export industries.

What followed? British costs remained high. British exports, overpriced in world markets, steadily lost ground. The British balance of payments became steadily more adverse, and long before mass unemployment began to plague the United States, it afflicted textiles and coal mining in England.

What had gone wrong? Most of all, this: a failure to realize that the world of the 1920s was very much different from what it was in 1914. The freedom of goods and capital to move, and the relatively balanced trade among leading nations had all disappeared in the turmoil of war. Adjusted to small transfers, the gold standard could not cope with shifts of billions of marks, pounds and francs. High tariff walls, nationalism and the new unwillingness to raise inter-

est rates in order to reduce domestic prices interposed insuperable obstacles. Most important, no group and no government was willing in the postwar world to sacrifice domestic objectives to the interests of a workable gold standard and a freer exchange of goods. Inflation was easier.

Little logic guided statesmen. In its place, there was a disastrous disposition to employ easy rather than curative remedies. England's initial decision to revalue was a hard one, but from then on she drifted and, as it turned out, did not "muddle through." Rather than balance their budgets and dampen inflation, French governments took the tempting road of devaluation and reduction of the real value of their huge internal debt. The United States evaded reality by pumping large loans into Europe and resisting the implications of her new creditor position. If these nations agreed on one point, it was this: never could domestic political considerations be sacrificed, even in the short run, to the needs of the gold standard.

The record of economists in this decade is not impressively bright. A few, Keynes among them, recognized early that the old gold standard was dead and advocated in its place arrangements managed by the state. They were a minority. No major change in economic thinking occurred in the decade. Yet, economists, like other people, do learn. From a decade of economic bungling, Keynes drew inferences which led him to formulate a more consistent and more effective theory of economic intervention.

As for noneconomists, it is even harder to say what they learned from the bitter experience of inflation and monetary disaster in the 1920s. Some businessmen apparently concluded that the best defense against these ills was restriction of competition by cartels or other collusive agreements. Trade unions in Western Europe frequently concluded that restraints on productivity and resistence to the introduction of machinery were the best policies. On the other hand, there is some evidence that statesmen relearned the intimate connection between domestic prices and the external balance of trade. As a result, their knowledge of the causes of and remedies for inflation—while still incomplete—is much improved. But in a democracy, statesmen are responsible to the public, and it remains an open question whether the public has yet fully digested the expensive lessons of the inflationary Twenties. ■

NEXT MONTH: The depression of the Thirties leads Keynes and others to advance new economic theories

To be independent or to be controlled is the choice confronting the American service station operator

THE DEALER'S DILEMMA

by Melvin Fiske

THE ROAD of small business is seldom smooth; it is particularly hazardous for the service station operator. Each year, at least one-quarter to one-third of the 225,000 service stations along the highways and in the cities of the nation change hands.

Between 1952 and 1953, for example, 310 service stations out of 650 in the Buffalo, N. Y. area were transferred to different owners. In one Buffalo suburb, 36 stations had 115 different operators in three years. The 115 operators all invested some money; they were cleaned out by the time they left.

What makes this business so hazardous? A subcommittee of the Select Committee on Small Business of the House of Representatives tried to find the answer in a series of hearings conducted in various parts of the country over the past two years. Dealers and their trade associations came before the committee to spill out their troubles and demand some relief.

The stories they told the committee did not vary much, whether they were operating a station in Buffalo or one in San Diego, Calif. In all cases, they complained about the inordinate amount of control exercised over them by the 22 major oil refiners who supply the gasoline and other products they sell. Representatives of some of the major refiners also appeared before the committee to refute the charges and defend their policies. The picture they drew contrasted sharply with the somber one painted by the dealers.

Most of the dealers were men and women who invested their savings in a station leased to them by one of the refiners. They did not go into the business to get rich quick; they went in to

obtain a measure of independence and a steady income. All of them knew they would have to work long hours every day of the week to build the station's clientele.

On the average, a service station operator pumping 20 thousand gallons of gasoline a month makes a gross profit of six cents on every gallon—or 1,200 dollars a month. After subtracting rent, payroll, utilities and insurance, the station operator just dispensing gasoline is in the red 50 dollars every month. What pulls him into the black column of the ledger is the business he does in tires, batteries, accessories and other services.

But, the dealers complain, they cannot sell the most profitable tires, batteries and accessories. They must, for the most part, sell only those items promoted by the gasoline supplier, the major refinery, which obtains a "commission" from the manufacturers on everything sold to the service station operator.

One-year leases

When a dealer disregards the advice offered by company salesmen and selects tires, batteries and accessories on his own, the sword that hangs over his head falls upon him: the company cancels his lease.

Dealers, in the main, agree to one-year leases which are automatically renewed, year after year. The leases, however, contain clauses authorizing cancellation of the lease on 10- or 30-days notice. Many dealers told the committee that their leases were cancelled without even this notification after they had refused to stock suggested tires and accessories. There were instances of cancellations when they balked at going into price wars with neighboring dealers.

The lease, in other words, does not give the dealer any rights as an independent businessman; it gives the gasoline suppliers a method of control over the dealer, making him a virtual company employee.

This dealer testimony was adamantly denied by representatives of major refineries. While admitting that they had to maintain a certain amount of control over dealers in order to protect their sizable investments, the companies insisted that they did not threaten or coerce dealers. "If any abuses do exist," one company official said, "they do not exist as a matter of company policy but as a matter of overzealousness of field sales managers."

Another company vice president told the committee: "The oil industry works in a continuous flow from the well all the way to the last ten feet of gasoline hose at the service station. If anything

interferes with the operation at the last ten feet, the entire costly operation is tied in knots. That is why we must have assured outlets. That is why we cannot be deprived of the right, or relieved of the responsibility, to see that our products get to the customers."

Greater incentive

But lease arrangements have generally been sought by the companies because dealer-operated stations sell more gasoline than company-operated stations. The dealer is willing to work longer hours, has greater incentive to improve the business and is better able to establish good will in the community than a company-appointed manager.

In the main, company officials declared that a minority of dealers —"people who have gripes of ne kind or another"—exaggerated the underdog position of dealers. "Most dealers make a good, respectable living from service station operation," one official added.

The committee, however, upheld the major dealer complaints and concluded that the oil companies were trying to eat their cake and have it, too.

The cake, in this case, is the profitable sale of gasoline. The oil companies, the committee determined, cannot operate their own stations on the profit margin available to dealers without suffering a loss. When dealers lease the stations, guaranteeing rent on the property in the first place, and assuming any losses in the second place, the profits to the oil companies increases.

The companies found this to be their experience during the depression years when they divested themselves of many of their company-operated stations to escape the huge chain-store taxes adopted by some states. Through the years, the companies also found that they could increase their profits even more by keeping the profit margin of the dealer as low as possible. "For the smaller the share that the retail dealer takes of the consumer's dollar," the committee declared, "the greater is the share that can be taken by the oil company."

Committee members were not advocating a "share-and-share-alike" policy. They were getting to the root of the trouble between the dealers and the oil companies, for as long as this primary problem persists, as long as dealers are squeezed by the tremendous economic power of the oil companies, the root grows.

To relieve some of the pressure on the dealers, the committee recommended the strengthening of antitrust and antimonopoly laws. But these recommendations, even if adopted at the next session

of Congress (an unlikely possibility), would not be of immediate aid to dealers. In the past, prosecution by the antitrust division of the Department of Justice has failed to curb other illegal practices of the oil companies. "A final [court] decision against one oil company seems to have had no effect upon preventing other oil companies from continuing the identical practices found to be illegal," the committee said.

It also suggested, however, that the oil companies improve their relations with dealers by extending leases to three years, and by guaranteeing the return of a dealer's investment if a lease is cancelled at the end of a six-month probationary period. The companies have been as slow as Congress in adopting any of the committee's proposals.

In the meantime, the dealers nurse their grievances, harbor their perplexities, and come and go. Their dissatisfaction, however reveals an unstable and unstabilizing factor in the gasoline retailing system in the country. The rumblings among dealers could be the first signs of an impending eruption that may change the character of the industry.

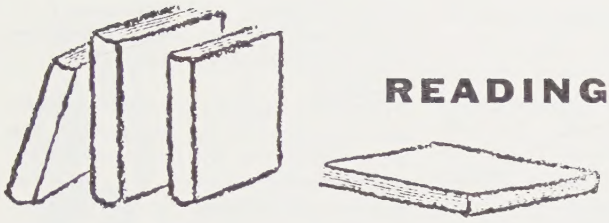
Dealers have been groping for a way out of the economic box they are in, and have already tentatively tried two methods. They have established state and national dealer associations and need only to strengthen these organizations, making them more than mere information—exchanging bodies. They have joined unions, and need only to spread out from a solid base created in the Gary, Ind., area.

Above all, however, they would like to see dealer-company councils established on local, state and national levels to develop the two-way partnership they feel will benefit the whole industry.

If the companies decide to recognize their poor relations and agree to join dealer-company councils, the dealership system will move toward greater stabilization and probably toward greater efficiency. If the companies continue along on their one-way street, the dealers will be forced to seek a parallel route, becoming united bargainers instead of independent businessmen. ■

Answers to Challenge Quiz

(1) False *(see page 13)*
(2) False *(see page 18)*
(3) False *(see page 35)*
(4) False *(see page 27)*
(5) False *(see page 61)*
(6) False *(see page 44)*
(7) False *(see page 48)*
(8) True *(see page 8)*
(9) False *(see page 23)*
(10) True *(see page 56)*
(11) True *(see page 31)*
(12) True *(see page 73)*



READING REPORT

AFL-CIO: Labor United. Arthur J. Goldberg. 319 pp. New York: McGraw-Hill Book Company, Inc. $5.00.

•Basically a history of the AFL and CIO in their cycle of unity-disunity-unity, this volume is also valuable for its presentation of organized labor's position on a whole gamut of social and political questions. The author, a long-time union attorney and now special counsel for the AFL-CIO, does a good deal of special pleading which raises rather than answers questions about the labor movement's broad objectives. A feature of the book that will be especially useful to those interested in unionism is its considerable documentation throughout the text and in a dozen appendices.

* * *

California and the Southwest. Clifford M. Zierer, Editor. 376 pp. New York: John Wiley & Sons, Inc. $11.25.

•This is a comprehensive, scholarly geographical study of the area of California, Nevada, Arizona and Utah. Although the high technical level of most of the 34 chapters (each written independently by an expert in the particular field) makes it more a reference than a popular geography, it should prove of real value to businessmen, politicians and historians interested in the region.

* * *

Profit Sharing, A Suggested Reading List. J. J. Jehring. 20 pp. Evanston, Ill.: Profit Sharing Research Foundation. 50 cents.

•Several hundred books, pamphlets and articles describing numerous profit-sharing plans in operation are listed in this pamphlet to assist the businessman in his choice of one such plan.

* * *

Laissez Faire and the General-Welfare State. Sidney Fine. 468 pp. Ann Arbor: The University of Michigan Press. $7.50.

•Subtitled *A Study of Conflict in American Thought, 1865-1901*, this volume does more than review theoretical controversy; it recounts the specific effects of doctrinal quarrels on political activity and socially significant legislation. Mr. Fine goes beyond the name-calling frequently associated with terms like "laissez faire" and "welfare state" and instead focuses on the substance of the argument. His thoughtful presentation is often heavy reading because of the copious footnotes. A final chapter on the general-welfare state in the twentieth century, and

an extensive bibliography add to its value.

* * *

Science and Economic Development: New Patterns of Living. Richard L. Meier. 246 pp. New York: co-published by Technology Press, Massachusetts Institute of Technology, and John Wiley & Sons, Inc. $6.00.

•Can we solve the practical problems that stand in the way of a free and prosperous world community? To answer this question requires a balanced combination of social idealism and technological realism, which the author takes us a long way toward finding. Much of the book is devoted to a study of economic resources and the technical potentials for their development. But this is only the starting point—a "quantitative framework," to use Dr. Meier's phrase, in which to go about solving our varied social and political problems. The book is coldly scientific in technical matters, boldly humanistic in setting forth "new patterns of living."

* * *

The Life and Times of King Cotton. David L. Cohn, 273 pp. New York: Oxford University Press. $5.00.

•The emergence of cheap cotton at the turn of the nineteenth century developed into an economic chain-reaction that reverberated in one social and political crisis after another. The story of this commodity's impact on human society is told perspicaciously and dramatically in these pages. Here is good reading, enlightening information and a revealing searchlight on the role played by economic factors in the total social drama.

Colonial Policy and Practice. J. S. Furnivall. 568 pp. New York: New York University Press. $7.50.

•The hope of "one world," so facile and engaging in its conception, has been challenged by numerous deep-rooted problems, not the least of which is colonialism. In this volume, one of the world's foremost authorities on colonial administration makes the colonial issue concrete by means of a comparative study of Burma and Netherlands India. The contrasting policies of Britain and the Netherlands quite naturally lead to differing practices, and each country's policies and practices are presented in detail. The author's evaluation provides sober guidance for all concerned with the questions of colonial policies and administration.

* * *

Power and Morality in a Business Society. Sylvia and Benjamin Selekman. 192 pp. New York: McGraw-Hill Book Company, Inc. $4.00.

•This essay deserves a more intriguing title. In a style both lively and dignified, the authors discuss the broad interacting powers—scientific, economic, political and moral—which form our unique and dynamic American life. The tremendous growth of some of these powers, they point out, poses problems which require new social skills if America is to make good on her opportunity for effective leadership. The authors present an ingenious and easy-to-read outline of the problems thrust upon us and the opportunities emerging from them. Layman and scholar alike can read this book with pleasure and profit. ■

Challenge Quiz

HOW WELL can you do with this true-false quiz? Test your ability to increase your knowledge through reading. Ten correct answers is Excellent; 9, Good; 8, Average. If you do the quiz *before* reading the articles, 6 correct answers is Good. Answers on page 76.

(1) Entertainment is still considered a special treat, not a part of daily life.

True ☐ **False** ☐

(2) Science makes its greatest advances in times of international crises, when specific needs have to be met.

True ☐ **False** ☐

(3) Power in bargaining is always advantageous.

True ☐ **False** ☐

(4) The accuracy of business forecasts for 1956 indicates that such economic predictions are now reliable.

True ☐ **False** ☐

(5) Designers set "the fashion" by producing styles readily accepted by consumers.

True ☐ **False** ☐

(6) Agricultural output in Southeast Asia has increased since 1941.

True ☐ **False** ☐

(7) The recent revolt in Russia's satellite states foreshadows the spread of similar action in Russia.

True ☐ **False** ☐

(8) Inflation almost invariably follows rising prices and rising money supply.

True ☐ **False** ☐

(9) Changes in the family "market basket" are measured by the Cost of Living Index.

True ☐ **False** ☐

(10) The Soviet Union's court system reflects a mistrust of the legal profession.

True ☐ **False** ☐

(11) The amount of goods we import determines the amount we export.

True ☐ **False** ☐

(12) Twenty-five to 33 per cent service station operators fail every year.

True ☐ **False** ☐

Dept. of Better Mousetraps

From the World of Industry: a kit with complete makings and instructions for a two-way communication system for home or office, operating on AC or DC . . . an electric-eye textile cutter that automatically cuts cloth into units such as napkins, towels, tablecloths. The cutting knife is regulated by a photo electric eye . . . a device for after hours depositing in banks which sorts envelopes and money bags by rotating each deposit electronically until the proper opening is in position, then drops it into the vault . . . and a portable microfilm reader that projects 35 mm or unperforated 42 x 32 mm film, weighing only 19 pounds.

* * *

Personal Business: *for the reader who turns down corners, a black felt bookworm crowned with spangles in honor of the volumes it will make its way through . . . a self-filling pen that works by capillary action—no filling lever, tube, ink sac or cartridge, and no inky fingers . . . from France, a cigarette lighter of white enamel the exact size of a regular cigarette . . . a fishing barometer that shows, according to atmospheric pressure, where the fishing is best . . . a mechanical pencil with a brain that measures practically anything. Roll it over a surface—even curves and upholstery corners—and the distance appears on the barrel's indicator in inches.*

* * *

Around the House: a back-saving snow plow on rubber wheels with a shovel whose angle can be changed by fingertip control of four springs . . . a molded foam rubber phone attachment that shuts out room noises . . . and a calendar that changes dates with the daily deposit of a quarter, sports a thermometer and registers savings.

* * *

Junior Department: *a plastic mother kangaroo with three tiny babies who jump out of her pouch every time you press her feet against the floor or table . . . a German mechanical bank in the form of a bird house. Put a coin in the trough outside the red-roofed house, turn the crank and a Goonybird leans out the window, picks it up, drops it inside . . . a small globe that revolves on the base of a student's lamp . . . a toy truck powered by flashlight batteries from a separate control box, moves forward or in reverse and is steered and made to dump by remote control . . . and miniature "guided missiles" that can be shot into the air, included in the breakfast cereal packages of a well-known company.*

* * *

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